INVESTING IN THE FUTURE MODEL OF UK GROCERY

TRADITIONAL IN-STORE

CLICK & COLLECT AT STORE

HOME DELIVERY FROM STORE

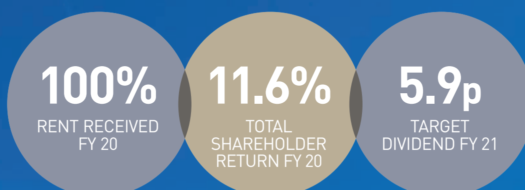
SUPR
SUPERMARKET INCOME REIT

Supermarket Income REIT plc (LSE: SUPR) is a real estate investment trust dedicated to investing in property which enables the future model of UK grocery.

We invest in omnichannel supermarkets:

With highly attractive lease terms:

Providing regular, sustainable, inflation-linked income with strong total shareholder returns:



CONTENTS

STRATEGIC REPORT
1 Financial Highlights
2 Chairman's Statement
4 Key performance indicators
5 Our Portfolio
6 Q&A with Justin King
10 Investment Adviser's Report
18 Our market
22 Implementing the Group's investment policy
24 Operating responsibly
28 Our principal risks

CORPORATE GOVERNANCE
36 Board of Directors
37 Investment Adviser
38 Corporate Governance Statement
43 Key Board statements
44 Corporate social responsibility
45 Audit Committee Report
49 Nomination Committee Report
51 Directors' Remuneration Report
54 Directors' Report
58 Directors' Responsibilities Statement
59 Alternative Investment Fund Manager's Report

FINANCIAL STATEMENTS
60 Independent Auditors' Report to the members of Supermarket Income REIT PLC
66 Consolidated Statements
70 Notes to the Consolidated Financial Statements
94 Company Statements
96 Notes to the Company Financial Statements
98 Unaudited Supplementary Information
102 Glossary
103 Contacts and Company Details

FINANCIAL HIGHLIGHTS

	12 months to 30 June 2020	12 months to 30 June 2019	Change in period
Annualised passing rent	£28.7m	£19.2m	+49%
EPRA earnings	£16.8m	£9.9m	+70%
Total shareholder return[1]	11.6%	8.0%	n/a
Dividend paid per share	5.8 pence	5.6 pence	+4%
EPRA EPS	5.0 pence	5.0 pence	0%
Total net assets	£477.2m	£230.5m	+107%
Loan to value[2]	22.3%	36.3%	n/a
EPRA NAV per share	101 pence	97 pence	+4%
Portfolio net initial yield	5.0%	4.9%	n/a

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

BUSINESS HIGHLIGHTS

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

POST BALANCE SHEET EVENTS

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

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

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

3 Including Sainsbury's Reversion Portfolio

Nick Hewson Chairman

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

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

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

Over the 12-week period up to 12 July 2020, UK grocery sales increased by 17% vs the same period in 2019. This is the fastest rate of growth since comparable records began and shows the significant impact the pandemic has had on the sector. All the substantial grocers experienced a major increase in demand, especially in the online grocery channel which increased market penetration by over 50%, from 8% of the UK grocery market pre-COVID-19 to 13% to end of June 2020. Omnichannel supermarkets played a vital role in responding to this increased demand, having the size and stock to respond effectively to the increased in-store demand, whilst having the operational flexibility to increase online grocery fulfilment capacity by over 100%. Omnichannel stores remain the dominant model for last-mile grocery fulfilment in the UK.

The pandemic has also served to reinforce the fact that supermarkets provide an essential service in feeding the nation. The grocery industry was able to adapt rapidly to ensure that key workers and those most in need were prioritised. Thousands of jobs were and continue to be created across the sector, providing essential work in a time of rising unemployment.

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

Financial results

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

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

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

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

Our stable, inflation-linked income stream has enabled us to increase our quarterly dividend in line within inflation every year since our IPO in July 2017. During the year we have declared dividends totaling 5.8 pence per share, representing an increase of 3% on the prior year. In line

> "Supermarkets provide an essential service in feeding the nation."

with previous years, we are once again targeting an increase in the quarterly dividend in line with June RPI inflation. This will result in an annual dividend target of 5.86 pence per share for the financial year ending 30 June 2021. The first quarterly dividend at the increased level is expected to be declared in October 2020.

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

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

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

Outlook

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

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

The Investment Adviser has proven its ability to identify and acquire attractive investments for the Group despite the on-going COVID-19 crisis. Since lockdown in late March, the Investment Adviser has deployed £188.9m million of capital on behalf of the Group in four separate transactions, spreading our geographic coverage and diversifying our tenant base.

Nick Hewson
Chairman
17 September 2020

Our objective is to deliver attractive, stable returns to shareholders. Set out below are the Key Performance Indicators we use to track our progress. Further details and calculations can be found on page 98.

11.6%
FY19 - 8.0%
TOTAL SHAREHOLDER RETURN

16yrs[1]
FY19 - 18yrs
WAULT

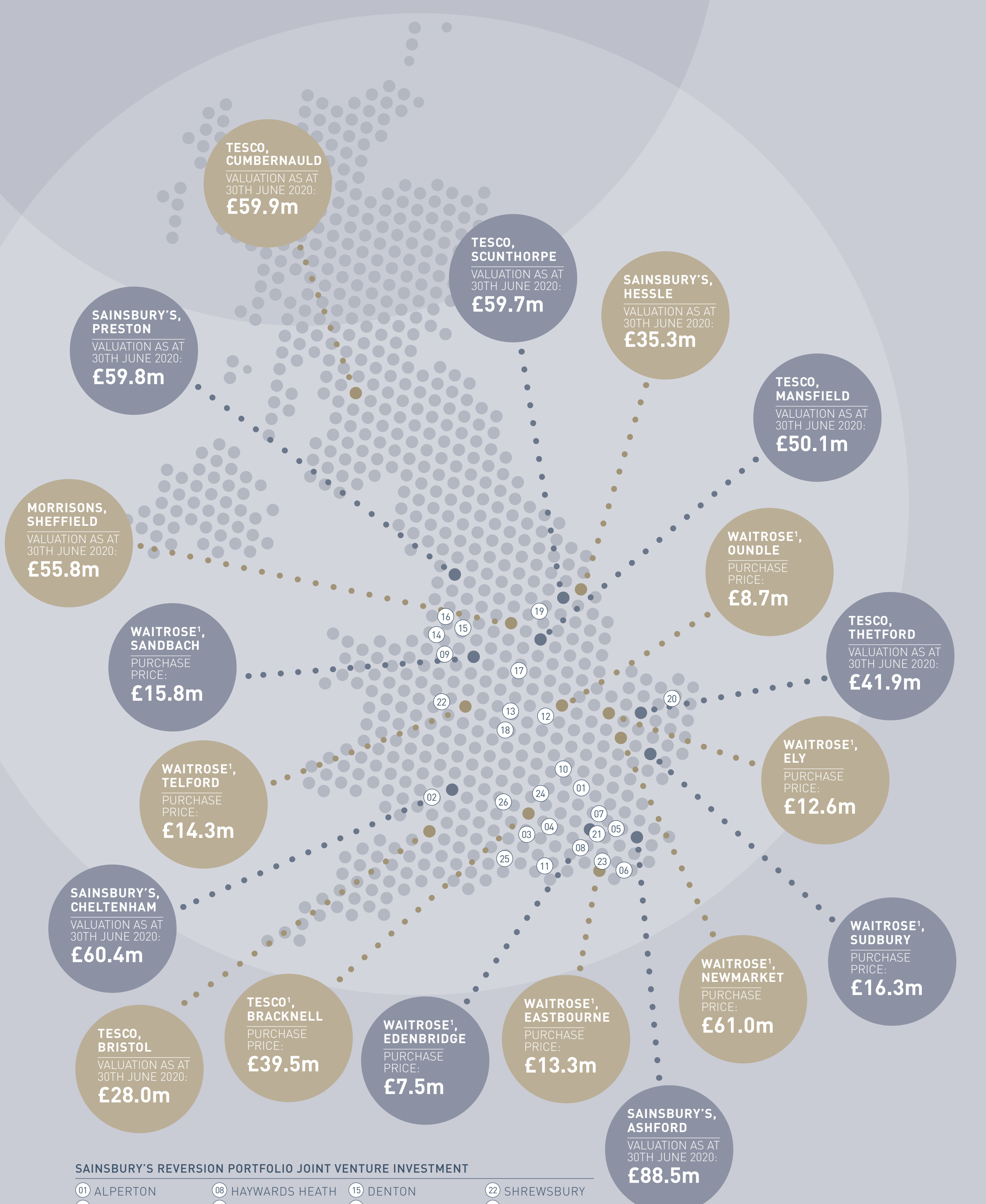
101p
FY19 - 97P
EPRA NAV PER SHARE

22.3%[2]
FY19 - 36%
NET LOAN TO VALUE

5.0p
FY19 - 5.0p
EPRA EPS

19.7%
FY19 - 17.9%
EPRA COST RATIO

1 Including post balance sheet events
2 LTV includes the proportional consolidation of the Sainsbury's Reversion Portfolio



SAINSBURY'S REVERSION PORTFOLIO JOINT VENTURE INVESTMENT

- 01 ALPERTON
- 02 GLOUCESTER
- 03 ALTON
- 04 GUILDFORD
- 05 AYLESFORD
- 06 HASTINGS
- 07 BROMLEY
- 08 HAYWARDS HEATH
- 09 CHESTER
- 10 HEMEL HEMPSTEAD
- 11 CHICHESTER
- 12 KETTERING
- 13 COVENTRY
- 14 KIDLINGTON
- 15 DENTON
- 16 KNOTTY ASH
- 17 DERBY
- 18 LEAMINGTON SPA
- 19 DONCASTER
- 20 NORWICH
- 21 EAST GRINSTEAD
- 22 SHREWSBURY
- 23 EASTBOURNE
- 24 TAPLOW
- 25 FERNDOWN
- 26 WITNEY

1 Post balance sheet acquisitions

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

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

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

A: For 100 years and more, the UK's largest grocery operators have exhibited a great adaptability and resilience, evolving their operating models in response to changes in consumer behaviour. To my mind their response to the pandemic is further proof of their ability to adapt to change.

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

As a direct result of the crisis, grocery workers are now rightly appreciated as key workers. Supermarkets coped with the massive increase in grocery sales by recruiting, training and deploying tens of thousands of new staff. This ability to flex quickly also meant that the Big Four were best able to respond to the step change in online demand. Together, the Big Four have effectively doubled home delivery capacity by adding over 1 million additional home delivery slots in just a few weeks.

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

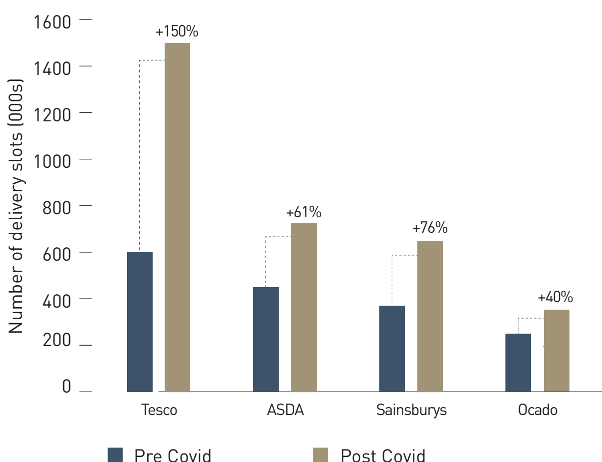
In summary, when viewed retrospectively, I believe the grocery operators have performed incredibly well in response to the pandemic and this crisis has reinforced just how important a network of well-located physical omnichannel supermarkets are to the UK's food infrastructure.

Q: The pandemic has driven a large increase in demand for online grocery shopping, what do you think this means for supermarkets?

A: Online grocery in the UK took twenty years to achieve a 8% market share and then almost doubled in just eight weeks from the start of the crisis. Most of that growth has been captured by Tesco, Sainsburys and ASDA which have seen their combined market share in UK online grocery increase from 82% to 85%[1].

It's clear that there is still unsatiated demand for online grocery as much of the increase in capacity was rightly directed to the vulnerable and those needing to self-isolate. On the other hand, some shoppers are likely to

Online grocery delivery slots change March to July 2020



Source: Atrato Research, Financial Times

1 Atrato Capital research

> "Over 80%[1] of online grocery in the UK is fulfilled from omnichannel supermarkets operating as a last mile hub for both online and offline sales."

return to their previous shopping habits across in-store channels as COVID-19 related restrictions ease. Only time will tell the extent of the permanent in growth in online grocery participation, but I wouldn't be surprised if online share of grocery was 12% in 2021. Five years growth in one year!

I am of the view that this strict distinction between 'bricks and mortar' vs online is a false one. The future model of grocery necessitates seamless customer service across all channels in which the customer chooses to shop. To this end, it is interesting to note that the vast majority of capacity growth during the pandemic has come from Sainsbury's, Tesco and Asda, which operate a largely in-store pick model. Hence nearly all of that growth has come from omnichannel supermarkets rather than centralised automated hubs. As a result, over 80%[1] of online grocery in the UK is fulfilled from omnichannel supermarkets operating as a last mile hub for both online and offline sales.

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

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

Q: Will the store-pick model continue to dominate online grocery fulfilment in the future?

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

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

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

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

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

Q: Is the grocery industry moving away from the centralised automated shed model for online grocery?

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

Centralised online only distribution still forms part of most national online grocery fulfilment networks, but tends makes economic sense where the distribution centre is close to major population densities in order for the picking efficiency gains not to be more than offset by increased delivery costs through longer drive times. As a result,

1 Atrato Capital research

the vast majority of centralised distribution hubs are concentrated around London where it is most efficient. Outside of London, the rest of online grocery fulfilment in the UK is well served by the omnichannel model.

There is still a major structural issue for online grocery delivery to overcome: everybody wants a 10am weekend delivery slot, but very few opt for a 9am to 5pm weekday slot! For the supermarket operators that means, by definition, that their entire online logistics model can be at low utilisation most of the time. The recent crisis has temporarily released operators from this burden as most people are at home and more flexible when it comes to delivery slots. It would not be prudent to assume this will continue in the medium term as people return to work. Over the longer term, a model that enables operators to flex delivery slot capacity to demand will win in the end. This will almost certainly include charging for the most desirable slots.

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

Q: What impact do you think the pandemic will have on the profitability of the Big Four supermarket operators?

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

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

Q: 2019 saw a significant increase in supermarket property investment volumes, did that surprise you?

A: Not at all. I have always said that there is still no greater retail business proposition than a large, grocery-led supermarket selling fresh food in the right location. Supermarkets generate significant cash flow and are the core infrastructure of how and where consumers shop.

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

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

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

WAITROSE ACQUISITION

WAITROSE PORTFOLIO ACQUISITION

On the 6 July 2020 the Company completed the acquisition of a portfolio of Waitrose supermarkets via a sale and leaseback transaction with Waitrose & Partners for £74.1 million.

The portfolio comprises six freehold supermarkets with an average gross internal area of 32,000 sq ft. The stores form a key part of Waitrose's UK online grocery fulfilment network and all of the stores have an impressive trading record. The stores are complementary to our existing portfolio, and providing further tenant and geographic diversification. The stores are let to Waitrose on new 20-year leases with a tenant-only break option in year 15 and are subject to five-yearly, upward-only, inflation-linked rent reviews.

The portfolio of stores form a key part of Waitrose's UK online grocery fulfilment network. All of the stores have an impressive trading record and are complementary to our existing portfolio, providing further tenant and geographic diversification.

WAITROSE[1], OUNDLE
PURCHASE PRICE: **£8.7m[2]**

WAITROSE[1], SANDBACH
PURCHASE PRICE: **£15.8m[2]**

WAITROSE[1], ELY
PURCHASE PRICE: **£12.6m[2]**

WAITROSE[1], SUDBURY
PURCHASE PRICE: **£16.3m[2]**

WAITROSE[1] EASTBOURNE
PURCHASE PRICE: **£13.3m[2]**

WAITROSE[1] EDENBRIDGE
PURCHASE PRICE: **£7.5m[2]**

Sandbach, Cheshire

Oundle, Northamptonshire

1 Post balance sheet acquisition
2 Excluding acquisition costs

Ben Green Atrato Capital

> "Omnichannel supermarkets represent the crucial infrastructure that is integrating online and traditional in-store sales"

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

Overview

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

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

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

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

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

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

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

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

Investment activity – Direct Portfolio

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

- Sainsbury's in Preston, Lancashire for £54.4 million (excluding acquisition costs) with 22 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.

NEW JOINT VENTURE

JOINT VENTURE WITH BRITISH AIRWAYS PENSION TRUSTEE LIMITED

On the 27 May 2020 the Company established a new joint venture with British Airways Pension Fund to acquire a 25.5% stake in one of the UK's largest portfolios of supermarket properties for £102 million with the Company's contribution to the joint venture equalling £51million[1].

The Portfolio consists of 26 Sainsbury's supermarkets. It is a geographically diverse high quality portfolio of stores with a London and south east bias. It was created through two sale and leaseback transactions by Sainsbury's in 2000. Our investment in this portfolio gives us an interest which we believe will be highly NAV accretive over the next three years.

Following the acquisition by the joint venture the freeholds of the properties are now owned by Sainsbury's (49%), Aviva (25.5%) and the joint venture. Further details of the joint venture can be found in note 14 of the financial statements.

High quality portfolio

Progressive valuation growth

Attractive future pipeline

Taplow, Buckinghamshire

1 Excluding acquisition costs

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

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

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

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

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

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

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

The properties listed below and on the next page are listed chronologically in order of acquisition. Acquisitions after the year end date are described in the post balance sheet event note below.

The Direct Portfolio benefits from highly attractive leases to strong tenant covenants (Tesco, Sainsbury's, Morrisons and Waitrose), with upward-only, inflation-linked rent reviews and long unexpired lease terms. Including the stores acquired post balance sheet, the weighted average lease term of the Direct Portfolio is 16 years with a weighted average yield of 5%.

Investment activity – Sainsbury's Reversion Portfolio

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

Tenant	Tesco	Tesco	Sainsbury's	Tesco	Tesco	Morrisons	Tesco	Sainsbury's	Sainsbury's	Sainsbury's
Location	Thetford, Norfolk	Bristol, Avon	Ashford, Kent	Cumber-nauld, N Lanak	Scunthorpe, Lincs	Sheffield, South Yorks	Mansfield, Notts	Preston, Lancs	Cheltenham, Gloucs	Hessle, Yorks
Acquisition Date	Aug-17	Aug-17	Aug-17	Dec-17	May-18	Jul-18	Apr-19	Aug-19	Oct-19	Feb-20
Purchase Price (£m)	£43.2	£28.5	£79.8	£50.0	£53.0	£51.7	£45.0	£54.4	£60.4	£34.0
Valuation at 30 June 2020 (£m)	£41.9	£28.0	£88.5	£59.9	£59.7	£55.8	£50.1	£59.8	£60.4	£35.3
Passing annual rent (£m)	£2.7	£1.6	£4.0	£3.1	£3.0	£2.9	£2.6	£3.0	£3.4	£2.3
GIA (sq.ft.)	78,000	55,000	125,000	117,000	98,000	113,000	90,000	106,000	98,724	70,899
NSA (Sq.ft.)	48,000	31,000	72,000	70,000	65,000	58,000	64,000	78,000	61,964	50,763
Rent review basis	Annual RPI	Annual RPI	Annual RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI	Annual RPI	5 yearly RPI	Annual RPI
Lease Expiry	Dec 29	Mar 31	Sep 38	Aug 40	Aug 40	Oct 39	Mar 39	Feb 42	Jun 32	Jun 34
Tenure	Virtual freehold	Virtual freehold	Freehold	Virtual freehold	Virtual freehold	Virtual freehold	Virtual freehold	Freehold	Freehold	Freehold

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

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

Portfolio valuation

Cushman & Wakefield valued the Direct Portfolio at 30 June 2020, in accordance with the RICS Valuation Global Standards July 2017. The properties were valued individually without any premium/discount applying to the Portfolio as a whole. The Direct Portfolio market value was £539.4. million, compared with the assets' combined purchase price of £500.2 million (excluding acquisition costs). The Direct Portfolio increased in value by £22.4 million or 4.3% for the Year.

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

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

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

Financial results

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

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

Tenant	Waitrose[1]	Waitrose[1]	Waitrose[1]	Waitrose[1]	Waitrose[1]	Waitrose[1]	Tesco[1]	Morrisons[1]	Tesco[1]
Location	Eastbourne, East Sussex	Edenbridge, Kent	Ely, Cambs	Oundle, Northants	Sandbach, Ches	Sudbury, Suffolk	Newmarket, Suffolk	Telford, Shrops	Bracknell, Berk
Acquisition Date	Jul-20	Jul-20	Jul-20	Jul-20	Jul-20	Jul-20	Jul-20	Aug-20	Sep-20
Purchase Price (£m)	£13.3	£7.5	£12.6	£8.7	£15.8	£16.3	£61.0	£14.3	£39.5
Valuation at 30 June 2020 (£m)	£13.3	£7.5	£12.6	£8.7	£15.8	£16.3	£61.0	£14.3	£39.5
Passing annual rent (£m)	£0.6	£0.4	£0.6	£0.4	£0.7	£0.8	£3.0	£0.8	£2.4
GIA (sq.ft.)	34,600	19,104	32,890	22,104	40,082	43,734	106,834	42,434	73,638
NSA (Sq.ft.)	22,177	13,275	15,137	15,220	24,443	30,380	68,421	27,200	44,899
Rent review basis	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	5 yearly CPIH	Annual RPI	5 yearly RPI	Annual RPI
Lease Expiry	Jul 40	Jul 40	Jul 40	Jul 40	Jul 40	Jul 40	Mar 36	Nov 37	Dec-30
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Freehold	Virtual freehold

1 Post balance sheet acquisition

NEW ACQUISITION

NEWMARKET TESCO EXTRA

On the 27 July 2020 the Company acquired the Tesco Extra store in Newmarket, Suffolk.

Tesco has a long history of trading from this prominent site which was originally developed in the 1980s and completely rebuilt in 2016 to a modern store and key online grocery fulfilment hub supporting Tesco's online grocery business across the region through both home delivery and click and collect.

The site comprises a modern 68,000 sq ft net sales area Tesco Extra with a 12-pump petrol filling station, 654 parking spaces and purpose-built online fulfilment distribution docks.

It was acquired with an unexpired lease term of 16 years with annual, upward-only, RPI-linked rent reviews for £61.0 million (excluding acquisition costs), reflecting a net initial yield of 4.6%.

Omnichannel store

Long unexpired lease

Inflation-linked rent reviews

Large, flexible site

Newmarket, Suffolk

Financing costs for the year were £4.9 million (2019: £4.2 million). As at 30 June 2020 the Group's weighted average finance cost was 2.0% (2019: 2.3%). The change in net financing costs in the year reflects the continued growth in the business and the reduction in the cost of borrowing for its most recent facilities. The Group's conservative leverage policy continues to maintain a healthy level of interest cover at 715% compared to the covenant at a minimum of 200%. Further information on financing and hedging is provided below.

As a result of the above, operating profit, before changes in the fair value of investment properties, as reported under IFRS, increased by 51% to £21.2 million (2019: £14.1 million).

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

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

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

Financing and hedging

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

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

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

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

Also post balance sheet, in August 2020, the Group increased its facility with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term. The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%. In September the Group agreed an increase to our existing HSBC RCF facility of £40.0 million at a 1.75% margin over 3-month Libor, whilst other terms remain the same as the existing £100m RCF facility.

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

A summary of the Group's credit facilities is provided on the following page:

The Group has the following credit facilities:

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

*Including two further one-year extension options.

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

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

The Group has significant headroom on its LTV covenants. The covenants contain a maximum 60% LTV threshold and a minimum 200% interest cover ratio for each asset in the Portfolio. As at 30 June 2020, the Group could afford to suffer a fall in property values of 38.0% before being in breach of its LTV covenants and, with the current hedging arrangements it has in place, it has significant interest cover headroom.

The Group has designed its debt strategy to minimise the effect of a significant rise in underlying interest rates through the use of hedging instruments. Further details of our debt and hedging can be found in note 18 of the financial statements.

Dividends

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

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

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

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

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

Asset Management

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

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

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

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

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

Atrato Capital Limited
Investment Adviser
17 September 2020

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

The UK grocery market

UK consumer spending on grocery has grown year-on-year since 2015. The UK grocery market has seen significant growth and changes in consumer shopping patterns due to the outbreak of COVID-19. IGD Retail Analysis forecast total spending on UK Grocery will increase by 6.8% in 2020 due to the full year impact of the COVID-19 pandemic and will continue to increase by a total growth of 10% over the 3 years to 2022, rising from £192 billion in 2019 to £211 billion by 2022. Tesco, Asda, Sainsbury's and Morrisons (the "Big Four") have a combined market share of approximately 66% and together operate more than 9,000 stores in the UK. Each of the Big Four has multi-billion-pound revenues, an established consumer brand and strong credit covenants.

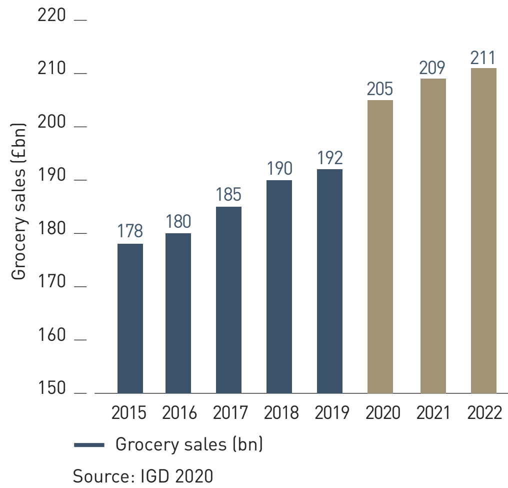
UK Grocery Market Operators

One of the many reasons that the Big Four have been able to protect their combined market dominance has been due to the nature of their underlying store Portfolio. The Big Four benefitted from a first mover advantage and as a result are located in the best locations, both for drive times on the way in, and for last mile delivery times on the way out, in each and every town across the UK.

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

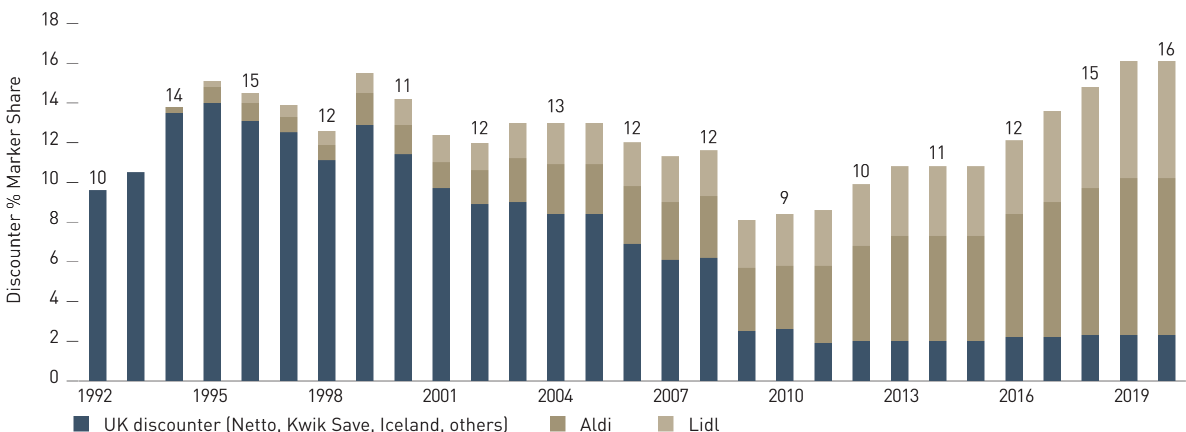
The grocery sales channels continue to evolve. However, the bigger stores remain the bedrock of the larger operators' business models with sales growing significantly due to the impact of the COVID-19 pandemic. According to IGD Retail Analysis research, supermarkets will continue to fulfil over 60% of sales in the UK, followed by convenience stores at c.21%. This trend is not expected to change over the next five years.

IGD UK grocery market forecast 2015-2022



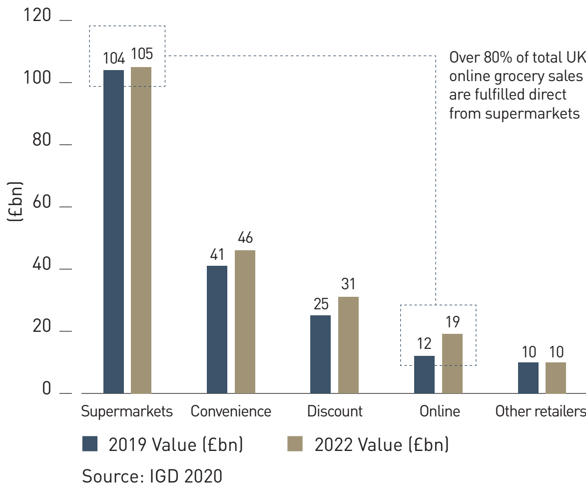
Source: IGD 2020

UK discounter market share 1989-2020 YTD



Source: Fooddeserts 2020, Morrisons plc, IGD

IGD UK channel forecasts 2019-2022



Source: IGD 2020

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

Supermarket property

Lease structures

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

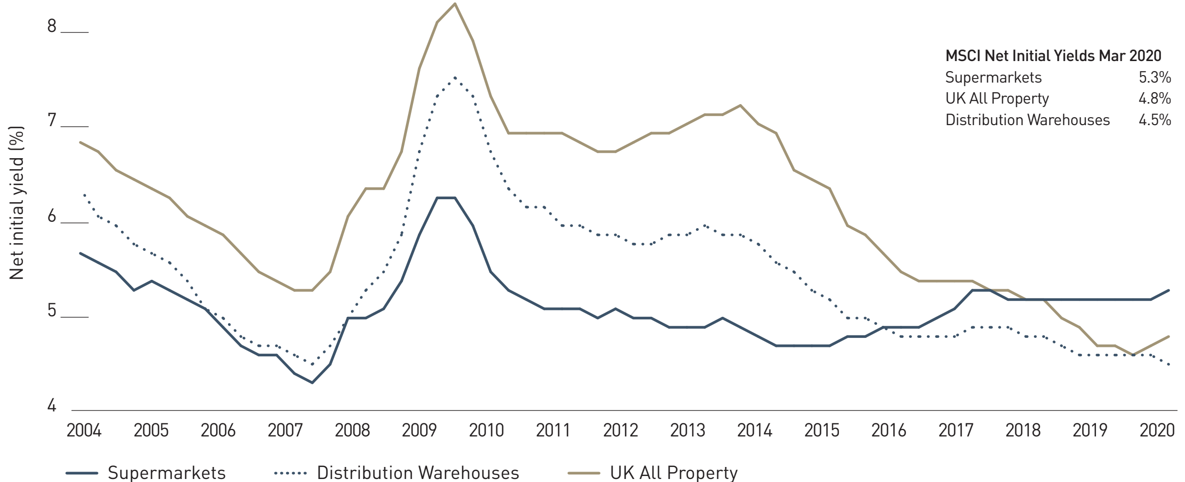
Landlords often benefit from "full repairing and insuring leases". These are lease agreements whereby the tenant is obligated to pay all taxes, building insurance, other outgoings and repair and maintenance costs of the property, in addition to the rent and service charge.

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

Investment yields

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

IPD net investment yields 2004-2020 (YTD)



Source: IPD quarterly index

Investment yields on supermarket property have consistently been lower than UK all-property yields and reached a low of 4.3% in 2007. However, since 2013, the market dynamics have changed: in contrast to most other long-income property yields, the supermarket sector has experienced a negative yield shift with yields increasing by 20% from March 2007 to March 2020.

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

The grocery sector is now entering a period of increased stability with improving investor sentiment towards supermarket operators driven by the performance of the sector and the undoubted covenant strength of the Big Four.

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

Inflation protection

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

Opportunities for asset management

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

Light asset management

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

Repurposing space

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

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

Supply and demand

After a period of material expansion in store numbers since 2000, the Big Four have substantially completed their store growth plans and are now in a consolidation phase. Few new large properties are being developed by the operators and the strategic focus has generally shifted from creating new assets to increasing efficiencies on the supply side, meeting customer concerns with an improved shopping experience and further diversification in brands, merchandise and sales channels.

The effect of this shift in strategic focus has been an end to sale-and-leaseback transactions involving the Big Four and, therefore, there has been a decline in the number of assets being offered to the investment market. Indeed, in a reversal of recent trends, Tesco has now become a net buyer of stores, spending around £2.8 billion[1] on store buybacks since 2015 to date.

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

Improved financial performance by the UK's major grocery operators has triggered increased buying of supermarket property assets and £1.78 billion[2] of grocery property assets changed hands in 2019 up 80% on volumes in the previous year. The majority of this demand has arisen from investors seeking inflation protection from the long-let and index-linked rent reviews structure of supermarket leases and from overseas investors who appear to have taken advantage of the decline in sterling exchange rates and attractive asset pricing.

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

Future prospects

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

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

1 Property Data 2020. Includes securitisation buy backs
2 Colliers International

Steven Noble Atrato Capital

The supermarket property sector remains highly attractive and we continue to demonstrate our ability to source attractively priced, high-quality supermarket property.

Investing in the future model of UK grocery

Our investment strategy is simple. We seek to own and actively manage a leading portfolio of high-quality omnichannel supermarkets which deliver stable and growing income returns that are resilient through economic cycles.

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

- let to tenants with strong covenants and established positions in the UK grocery sector
- modern flexible buildings adapted to operate both in-store and online operations, accommodating multiple loading bays, refrigeration units and home delivery vehicles
- in the right locations, situated in population centres close to consumers
- strategically located close to major road networks, allowing efficient goods inward stocking, distribution of home deliveries and convenient access to click and collect facilities
- large floor areas, capable of housing a full range of fresh groceries and providing scale economies for the operator

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

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

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

Optimising Portfolio value

Our deep understanding of where and how each of our grocery stores fits both within the national store network and the micro catchment area is key to our investment decision. A good example of this is our Tesco Store in Newmarket acquired in July 2020. Tesco has a long history of successful trading at this site since the 1980s. The current store was completely rebuilt in 2016 into a modern omnichannel supermarket which is purpose-built to support Tesco's growing online grocery business across the region, whilst also maintaining an efficient and growing in-store trade from the local catchment population.

This store houses 68,000 sq ft net sales area whilst also operating multiple online fulfilment distribution docks for home delivery vehicles plus a purpose-built drive-thru click and collect facility. This modern omnichannel operation enhances the re-gear potential of the supermarket and the long-term value of the underlying real estate.

> “Supermarket property is an attractive asset class for investors seeking secure, inflation-linked income.”

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

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

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

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

We continue to explore and work with our tenants on the repurposing of space that allows operators to maximise the value of their building and, potentially, increase underlying footfall or revenues per square foot by adding new customer offerings or facilities in or around the store.

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

Environmental policy

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

The investment properties are let on full repairing and insuring leases, meaning its day-to-day environmental responsibilities are limited as properties are controlled by the tenants. We do not purchase any utilities and we cannot use the lease terms to influence how the tenant operates. As a result, we do not submit performance data to benchmarking indices such as the Global Real Estate Sustainability Benchmark. However, the Board and Investment Adviser adopt sustainable principles where possible and the key elements of the Company's environmental policy are:

- We want our properties to minimise their impact on the local and wider environment. We carefully consider the environmental performance of assets before we acquire them, including obtaining an independent environmental report and energy performance certificate ("EPC") for all potential acquisitions, which considers, amongst other matters, the historical and current usage of the site and the extent of any contamination present. This report may lead to further enquiries of the vendor, surveyor or legal teams and is considered by the Investment Committee of the Investment Manager when approving the acquisition.
- Sites are visited periodically and any obvious environmental issues are reported to the Board.
- We perform extensive due diligence on the opportunity to install on-site decarbonised energy producing plant on each acquisition. To date we have completed District Network Operator ("DNO") applications for the installation of extensive rooftop photovoltaic panels covering over 70-80% of the total gross internal area of our estate. Our first deliverable from this initiative will be the installation of a 370 kilowatt rooftop solar array on the our Tesco Thetford supermarket, which will supply decarbonised electricity direct to the store.

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

Social policy

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

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

Going forward

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

i) to determine the ESG issues that are most relevant to our business and our stakeholders through a process of detailed desk research and stakeholder interviews, primarily investors or ESG rating agencies
ii) to develop a framework of how various ESG issues are relevant to us and our stakeholders and we approach each of them
iii) to assemble an action plan spanning the next five years that clearly defines our commitments to a more sustainable future, and how we will play our part, including activities, partnerships, key performance indicators and targets.

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

Section 172(1) Statement

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

(A) the likely consequences of any decision in the long term,
(B) the interests of the company's employees,
(C) the need to foster the company's business relationships with suppliers, customers and others,
(D) the impact of the company's operations on the community and the environment,
(E) the desirability of the company maintaining a reputation for high standards of business conduct, and
(F) the need to act fairly as between members of the company.

How the Director's ensure long term success

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

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

The key strategic decisions for the Board are those relating to asset acquisitions, financing, disposals and distributions, and where these types of transaction, or any other material transaction or decision, is considered, the Board has regard to its wider obligations under Section 172 of the Act. As such these strategic discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and the risk to the long term success of the business, and are supported by detailed cash flow projections based on various scenarios, which include: availability of funding; borrowing; as well as the wider economic conditions and market performance.

During the 2020 financial year, the primary non-routine decision made by the Board was considering the formation of a 50:50 joint venture (the "JV") with British Airways Pension Trustees Limited ("BAPTL") to acquire from British Land Plc a 25.5% stake (the "Acquisition") in a portfolio of 26 Sainsbury's supermarket properties (the "Portfolio") for £102 million. The Company's contribution to the JV was £51 million, excluding costs, which was satisfied from its existing cash balances and credit facilities. The Portfolio is funded by bonds, which mature in 2023 and the rental income received from the Portfolio pays down the outstanding balance of the bonds to a final amount which will be repayable in 2023 by way of a refinancing or sale of the Portfolio. Given that this transaction is materially different from the direct asset acquisitions that make up the majority of the Company's portfolio and the inherent complexity of the underlying structure the Board obtained extensive, detailed due diligence and legal reports from external

advisers. The acquisition was discussed in significant detail and the impact on the wider portfolio was assessed, together with the implications of allocating capital to an investment that was not a direct asset purchase and was non-cash generative in the short term. The Company's relationships with the workforce and its key customers and suppliers did not change significantly as a result of making this investment. The reasons for the acquisition were announced at the time, so that all stakeholders were aware of the decision, and through the shareholder engagement programme investors have had an opportunity to ask questions to understand the Board's decision. The principal benefits of the Acquisition to shareholders included acquiring an interest in a high quality portfolio, progressive valuation growth, optimal capital structuring and providing an attractive potential future pipeline.

B. The interests of the company's employees

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

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

The Company's principal suppliers, customers and counterparties are the Investment Adviser, professional firms such as lenders, property agents, accounting and law firms, tenants with which we have longstanding relationships and transaction counterparties which are generally large and sophisticated businesses or institutions. The Investment Adviser was appointed in July 2017 and the performance of the Investment Adviser is kept under continual review as set out on page 40. There is frequent direct engagement between the Investment Advisory team and the Board. Most professional firms and advisers acting for the business have had relationships with the Company and the Investment Adviser since the IPO in July 2017. Where material counterparties are new to the business, checks, including anti money laundering checks, are conducted prior to transacting any business to ensure that no reputational or legal issues would arise from engaging with that counterparty. The Company also reviews the compliance of all material counterparties with relevant laws and regulations such as the Modern Slavery Act 2015. All Group entities have a policy of paying suppliers in accordance with pre agreed terms as reported in the Supplier Payment Policies below:

Supplier payment policies

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

The following voluntary disclosures relate to the Group:

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

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

The interaction of Group entities with the wider community and its impact on the environment is relatively limited as a result of the Group's business operations being entirely related to investment in properties let on long leases, where the operation of the properties, their upkeep and environmental impact is the responsibility of the occupational tenants. The Board's approach to sustainability is explained on pages 24 to 27 and 44. The Board and the Investment Adviser have committed to limiting the impact of the business on the environment where possible, including, for example, the reduction during the year of the use of single use plastics, with the aim of fully eliminating their use.

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

The Board is mindful that the ability of the Company to continue to conduct its investment business and to finance its activities depends in part on the reputation of the Board, the Manager and Investment Advisory Team. The risk of falling short of the high standards expected and thereby risking business reputation is included in the Board's review of the Company's risk register, which is conducted at least annually. Principal risks and uncertainties facing the business are summarised on pages 28 to 35.

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

The Company's shareholders are an incredibly important stakeholder group. The Board oversees the Investment Adviser's formal investor relations programme which is supported by the Company's brokers and financial PR advisers. The Board aims to be open with shareholders and available to them, subject to compliance with relevant securities laws. The investor relations programme is designed to promote formal engagement with major investors, generally defined as those holding more than approximately 1% of the shares in the Company. Major investors are offered meetings after each results announcement. The Board and the Investment Adviser also engage with major investors, other investors who may request meetings and with potential new investors on an ad hoc basis throughout the year including where prompted by Company announcements. All formal shareholder presentations are made available on the Company's website and remain available to any interested party. The whole Board attends the Company's Annual General Meeting. The Company has a single class of shares in issue with all members of the Company having equal rights. The investment strategy of the Group is focussed on medium to long term returns and as such the long term is firmly within the sights of the Board when all material decisions are made.

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

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

We aim to operate in a low-risk environment, focusing on a single sector of the UK real estate market. The Board and the AIFM therefore recognise that effective risk management is key to the Group's success. Risk management ensures a defined approach to decision making that seeks to decrease the uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

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

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

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

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

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

The Board considers these risks have increased since last year

9 Impact of Covid 19

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

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

The Board considers all the other risks to be broadly unchanged since last year

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

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

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

6 We must be able to operate within our banking covenants

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

8 We are reliant on the continuance of the Investment Adviser

10 We operate as a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK shareholders

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

The Board considers these risks have decreased since last year

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

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: Low

Impact: Moderate

An adverse change in our property valuations may lead to breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our net asset value.

Mitigation

Our property Portfolio is 100% let with long weighted average unexpired lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews which are inflation linked. These factors help maintain our asset values.

We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on loan to value and interest cover.

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

Probability: Low

Impact: Moderate

The Company faces competition from other property investors. Competitors may have greater financial resources than the Company and a greater ability to borrow funds to acquire properties.

The Supermarket investment market has been seen as a safe haven in a time of distress in other real estate investment categories driving up competition for quality assets. This has led to increased demand for Supermarket assets without a comparable increase in supply, which could potentially increase prices and make it more difficult to deploy capital.

Mitigation

The Investment Adviser has extensive contacts in the sector and we often benefit from off-market transactions. They also maintain close relationships with a number of investors and agents in the sector, giving us the best possible opportunity to secure future acquisitions for the Group.

We are not exclusively reliant on acquisitions to grow the Portfolio. Our leases contain upward-only rent review clauses, which mean we can generate additional income and value from the current Portfolio. We also have the potential to add value through active asset management and we are actively exploring opportunities for all our sites.

We maintain a disciplined approach to appraising and acquiring assets, engaging in detailed due diligence and do not engage in bidding wars which drive up prices in excess of underwriting.

3	The default of one or more of our lessees would reduce revenue and may affect our ability to pay dividends	
Probability: Low	**Impact: High**	**Mitigation**
	Our focus on supermarket property means we directly rely on the performance of UK supermarket operators. Insolvencies could affect our revenues earned and property valuations.	Our investment policy requires the Group to derive at least 60% of its rental income from a Portfolio let to the largest four supermarket operators in the UK by market share. Focusing our investments on assets let to tenants with strong financial covenants and limiting exposure to smaller operators in the sector decreases the probability of a tenant default. Before investing, we undertake a thorough due diligence process with emphasis on the strength of the underlying covenant and receive a recommendation on any proposed investment from the AIFM. All our leases are either guaranteed by the parent company in the operator group or are a direct obligation of the main UK operating entity of the operator group. We select assets that have strong property fundamentals (good location, large sites with low site cover) and which should be attractive to other occupiers or have strong alternative use value should the current occupier fail.

FINANCIAL RISK

4	Our use of floating rate debt will expose the business to underlying interest rate movements	
Probability: Low	**Impact: Low**	**Mitigation**
	Interest on the majority of our debt facilities is payable based on a margin over LIBOR. Any adverse movements in LIBOR could significantly impair our profitability and ability to pay dividends to shareholders.	We have entered into interest rate derivative contracts to partially mitigate our direct exposure to movements in LIBOR, by capping our exposure to LIBOR increases. We aim to prudently hedge our LIBOR exposure, keeping the hedging strategy under constant review in order to balance the risk of exposure to rate movements against the cost of implementing hedging instruments. We selectively utilise hedging instruments with a view to keeping the overall exposure at an acceptable level.

5	A lack of debt funding at appropriate rates may restrict our ability to grow	
Probability: Low	**Impact: Low**	**Mitigation**
	Without sufficient debt funding we may be unable to pursue suitable investment opportunities in line with our investment objectives. If we cannot source debt funding at appropriate rates, this will impair our ability to maintain our targeted level of dividend. The company has had two oversubscribed capital raises during the year ended 30 June 2020 which have provided increased liquidity and enabled considerable growth within the year and the numerous acquisitions post year end. We believe that this indicates that alternative credit sources will become available in the short to medium term and we will become less reliant on bank funding.	Before we contractually commit to buying an asset, we enter discussions with our lenders to get outline heads of terms on debt financing, which ensures that we can borrow against the asset and maintain our borrowing policy. The Board keeps our liquidity and gearing levels under review. We have recently broadened our lender base, entering banking facilities with a new lender. This has created new banking relationships for us with the aim of keeping lending terms as competitive as possible. Supermarket property has remained popular with lenders, owing to long leases and letting to single tenants with strong financial covenants and being seen as a safe asset class in times of market uncertainty. We have seen increased appetite from lenders to provide financing for future acquisitions.

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

CORPORATE RISK

7	There can be no guarantee that we will achieve our investment objectives	
Probability: Low	**Impact:** Low	**Mitigation**
	Our investment objectives include achieving the dividend and total returns targets. The amount of any dividends paid or total return we achieve will depend, among other things, on successfully pursuing our investment policy and the performance of our assets. Future dividends are subject to the Board's discretion and will depend on our earnings, financial position, cash requirements, level and rate of borrowings, and available profit.	The Board uses its expertise and experience to set our investment strategy and seeks external advice to underpin its decisions, for example independent asset valuations. There are complex controls and detailed due diligence arrangements in place around the acquisition of assets, designed to ensure that investments will produce the expected results. Significant changes to the Portfolio, both acquisitions and disposals, require specific Board approval. The Investment Adviser's significant experience in the sector should continue to provide us with access to assets that meet our investment criteria going forward. Rental income from our current Portfolio, coupled with our hedging policy, supports the current 5.86 pence per share dividend target. Movement in capital value is subject to market yield movements and the ability of the Investment Adviser to execute asset management strategies.
8	We are reliant on the continuance of the Investment Adviser.	
Probability: Low	**Impact:** Moderate	**Mitigation**
	We rely on the Investment Adviser's services and reputation to execute our investment strategy. Our performance will depend to some extent on the Investment Adviser's ability and the retention of its key staff.	Unless there is a default, either party may terminate the Investment Advisory Agreement by giving not less than 12 months' written notice, which may not be given before the fifth anniversary of the IPO. The Board regularly reviews and monitors the performance of the Investment Adviser. The interests of the Company and the Investment Adviser are aligned due to (a) key staff of the Investment Adviser having significant personal equity investments in the Company and (b) any fees paid to the Investment Adviser in shares of the Company are to be held for a minimum period of 12 months. The Board can pay up to 25% of the Investment Adviser fee in shares of the Company. In addition, the Board meets regularly with the Investment Adviser to ensure we maintain a positive working relationship and the AIFM receives and reviews regular reporting from the Investment Adviser and reports to the Company's Board on the Investment Adviser's performance. The AIFM also reviews and makes recommendation to the Company's Board on any investments or significant asset management initiatives proposed by the Investment Adviser.

9	Impact of COVID-19	
Probability: Low	**Impact: Moderate**	**Mitigation**
	In addition to the immediate health and social care risks, the potential impact of the pandemic could be significant, including: the potential for reduced rental collection and a corresponding increase in bad debts, this in turn could impact on banking covenants, asset values, returns and potentially dividend. There is also the potential for reduced quality of services and support from professional advisors and service providers.	The underlying strength of the business is the investment grade tenant base. The grocery sector has proven to be robust in the face of the wider challenges posed by the pandemic, reporting increased sales, albeit pitted against higher costs, and a rapid positive response to the changing ways in which customers shopped. This has resulted in the Supermarket asset class being resilient and in high demand, underpinning asset values. All rental income has been received on time and in full. However, it is likely that the pandemic will have an impact across all commercial and business activities. A range of enhanced controls and mitigations have been put in place, including regular updates with the Investment Advisor and diversification of banking relationships and close monitoring of rent collection. Different working arrangements have been implemented for both the Investment Advisor's team and the outsourced Property Managers, which are designed to maintain safe, regular contact and dialogue with tenants, to provide the Board with clear visibility of significant issues and risks arising. The outsourced operating model offers additional resilience, as staff resource absences are more easily covered, and in most cases those providing services to the REIT were already operating with remote working arrangements. The Board is constantly assessing the position, with additional mitigations possible. For example, there is the ability to drawdown under the revolving credit facility and to enter into new credit arrangements which provides comfort that were any of our tenants not pay their rent in full or on time we would have sufficient liquidity to meet our outgoing cash requirements..

TAXATION RISK

10	We operate as a UK REIT and have a tax-efficient corporate structure, with advantageous consequences for UK shareholders. Any change to our tax status or in UK tax legislation could affect our ability to achieve our investment objectives and provide favourable returns to shareholders	
Probability: Low	**Impact: Moderate**	**Mitigation**
	If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.	The Board takes direct responsibility for ensuring we adhere to the UK REIT regime by monitoring the REIT compliance. The Board has also engaged third-party tax advisers to help monitor REIT compliance requirements and the AIFM also monitors compliance by the Company with the REIT regime.

POLITICAL RISK

11	European Union exit without EU trade deal ("Brexit")	
Probability: High	**Impact: Moderate**	**Mitigation**
	The vote in June 2016 to leave the European Union has resulted in political and economic uncertainty that could have a negative effect on the performance of the Group. Until the terms of the settlement with the European Union become clearer the exact outcome on the business is difficult to predict at this stage. However, as the deadline for the achievement of a deal approaches the risk of a no deal becomes more likely. There continues to be uncertainty around the potential impact on supply chains which could impact the major supermarket operators.	The Group operates with a focus on the UK supermarket sector. It is currently well positioned with long term secure leases to institutional-grade tenants with strong balance sheets and well placed to withstand any downturn in the UK economy. The major supermarket operators used the Covid-19 crisis to test the resilience of their supply chains and have been planning for Brexit since 2016.

MARKET PRICE RISK

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

Going concern

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

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

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

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

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

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

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

Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 30 June 2025. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts. The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks. The principal risks on pages 28 to 35 summarise those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance.

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

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

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

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

Borrowing risk: The Group continues to comply with all relevant loan covenants. The Group is able to refinance the £100.0 million RCF falling due in August 2022 and the £52.1 million Term Loan falling due in July 2023 on acceptable terms. The Group does not have a significant refinancing event occurring until December 2024.

Financing is arranged in advance of expected requirements and the Directors have reasonable confidence that additional or replacement debt facilities will be put in
place at the point of refinancing.

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

Viability statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2025, which is the period covered by the Group's longer term financial projections. The board considers five years to be an appropriate forecast period since, although the Group's contractual income extends beyond five years, the availability of finance and market uncertainty reduces the overall reliability of forecast performance over a longer period.

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

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

Risk	Assumption
Tenant risk	Tenants (or guarantors where relevant) fail to comply with their rental obligations over the term of their leases and a key tenant suffers an insolvency event over the term of the review.
Borrowing risk	The Group continues to comply with all relevant loan covenants. The Group is able to refinance the £100.0 million RCF falling due in August 2022 and the £52.1 million Term Loan falling due in July 2023 on acceptable terms.
Liquidity risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions.

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

Other disclosures

Disclosure in relation to the Company's business model and strategy have been included within the Investment Adviser's report on pages 10 to 17. Disclosures in relation to the main industry trends and factors that are likely to affect the future performance and position of the business have been included within Our Market on pages 18 to 21. Disclosures in relation to environmental and social issues have been included within Operating Responsibility on pages 24 to 27. Employee diversity have not been included as the Directors' do not consider these to be relevant to the Company.

Key Performance Indicators (KPIs)

The KPIs used by the Group in assessing its strategic progress have been included within the Chairman's Statement on pages 2 to 3, the Investment Adviser's report on pages 10 to 17 and the supplementary information on pages 98 to 101.

The Strategic Report, which comprises the Chairman's Statement, Achievements in Brief, Our Portfolio, Investment Adviser's Report, Our Market and Our Principal Risks section in the Annual Report was signed on behalf of the Board on 17 September 2020.

Nick Hewson
Chairman
17 September 2020

DIRECTORS

NICK HEWSON
CHAIRMAN

Nick Hewson was co-founder, CEO and chairman of Grantchester Holdings plc, where he worked from 1990 until 2012. Nick currently serves as a non-executive director and chair of the audit committee at Redrow plc, a FTSE 250 company and one of the UK's leading housebuilders. Prior to this, Nick was chair of the executive committee of Pradera AM plc, a European retail property fund management business. Nick was also a founding partner of City Centre Partners LP.

VINCE PRIOR
CHAIR OF THE NOMINATION COMMITTEE

Vince Prior joined Sainsbury's Property Investment team in 2008 and was subsequently appointed as Head of Property Investment. Over a five year period to 2014, the value of Sainsbury's property portfolio grew from £7.5 billion to £12 billion. Before joining Sainsbury's Vince was the head of Retail Advisory Services at Jones Lang LaSalle ("JLL") and provided strategic advice to a range of high profile supermarket and retail operators. Vince started his career working for Tesco where he helped to set up their store location team.

JON AUSTEN
CHAIR OF AUDIT COMMITTEE

Jon Austen is chief financial officer at Audley Court Limited, which develops retirement villages in the UK. Jon is also a non-executive director of McKay Securities plc, which specialises in office and industrial property. Prior to Audley Court, Jon was group finance director at Urban&Civic. Jon has also held senior finance roles at London and Edinburgh Trust plc, Pricoa Property plc and Goodman Limited. Jon is a is a fellow of the Institute of Chartered Accounts of England and Wales.

CATHRYN VANDERSPAR
CHAIR OF THE REMUNERATION COMMITTEE

Cathryn has more than 20 years experience as a real estate lawyer and is Head of Real Estate Tax at Travers Smith LLP. Cathryn specialises in direct and indirect real estate with experience in unauthorised, authorised and listed funds, across all types of vehicle and asset classes, including real estate, debt and private equity. Cathryn is an active member of the HMRC and HMT working groups and is the author of the tax chapter on REITs in Tolleys Taxation of Collective Investment.

INVESTMENT ADVISER

BEN GREEN

Ben has over 20 years' of experience structuring and executing real estate transactions and has completed £4 billion of supermarket sale and leaseback transactions over the course of his career. Ben qualified as a lawyer in 1997 and worked at Wilde Sapte and Linklaters LLP. He left law in 2000 and has since spent his career at Barclays, Lloyds and Goldman Sachs where he was a Managing Director and European Head of Structured Finance.

STEVE WINDSOR

Steve spent 16 years at Goldman Sachs specialising in finance and risk management. Steve became a partner at Goldman Sachs in 2008 and headed Goldman Sachs' European, Middle East and African Debt Capital Markets and Risk Management businesses from 2010 until 2016. Steve has helped and advised a number of FTSE 100 companies on how to finance their business and manage risk. Steve was a member of the Goldman Sachs Investment Banking Risk Committee.

STEVEN NOBLE

Steven spent nine years at Lloyds in origination and risk management with a focus on commercial real estate. Steven has negotiated and executed over £500 million of Supermarket Property transactions. Prior to Lloyds, Steven was at KPMG where he qualified as a chartered accountant. Steven is a fellow of the Institute of Chartered Accountants Ireland and holds the Chartered Financial Analyst designation.

NATALIE MARKHAM

Natalie was previously chief financial officer at Macquarie Global Property Advisors Europe. Natalie was also a member of the MGPA European management team and a director of the MGPA European advisory business. Natalie was involved in the development of business strategy, financial planning and responsible for all aspects of the financial management of the business. Natalie qualified as a chartered accountant in 2000 and is a fellow of the Institute of Chartered Accountants of England and Wales.

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 SUPR'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 as set out below. The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- 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 of 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.

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.

The Company's compliance with, or reasons for departure from, the principles of the AIC Code are set out in the table below. Throughout the period, the Company has also complied with the following provisions of the UK Code:

B.2.4 (DTR 7.2.8AR) Provide a description of the Board's policy on diversity, including gender, any measurable objectives that this has set for implementing the policy, and progress on achieving the objectives and Diversity Policy. The Board adopted a formal diversity policy at its meeting on 3 September 2018, reflecting wider diversity characteristics of gender, ethnicity, age, disability, social or educational background. Previously, the Board's approach was to appoint the best possible candidate, considered on merit and against objective criteria. Further information is provided within the Nomination Committee report on pages 49 to 50.

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.	The Company has embedded its approach of responsible investing into the whole spectrum of the investment process. Responsible investing means considering the environmental impact of prospective investments, identifying opportunities to install on-site decarbonised energy producing plant on each acquisition and engaging external consultants to identify additional ESG opportunities. The company takes an active interest in how its tenants manage environmental, social, and governance ('ESG') issues. Both the Board, the AIFM and Adviser agree that responsible business practices help generate superior long-term performance. More information on SUPR's long-term performance record can be found on page 53 and more details on the Adviser's approach to responsible investing is on pages 10 to 17 of this Report
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.	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 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 has 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 absolutely fundamental to the Company's strategy, as summarised in the outline of the Group's business model on page 10, and the Company's investment strategy is described in the Strategic Report on pages 10 to 17.
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.	In meeting its duty to the Company's shareholders to promote the success of the business, the Board takes a long term view, assessing opportunities and risks together with considering and reporting on the viability of the business over a five year period. The Board is collectively responsible for the long term success of the Company and seeks to achieve: • competent and prudent management; • sound planning; • maintenance of appropriate management and internal control systems; • reliable accounting and other records; and • compliance with statutory and regulatory obligations. The control environment operated within the Group is subject to the review of the Audit Committee which formally considers the internal control framework at least annually and discusses the operation and effectiveness of internal controls with the Group's external auditors in its meetings with them. 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 '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 Manager 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. Atrato Capital Limited ('Atrato' or 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 Board keeps the appropriateness of the Investment Adviser's appointment under review. In doing so the Board 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 the other services provided.
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.	On pages 25 to 27, within the s.172 statement key stakeholders, an understanding of their interests and how they are engaged with is set out.

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
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.	The Chairman 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; he ensures that Board debates are balanced, open and inclusive and promotes behaviours and attributes that make up our culture. The Chairman ensures that the Board is provided with information of appropriate quality and form, in a timely manner. In addition to formal Board meetings, there is also an ongoing informal interaction between the Directors, the Manager and the Adviser. The annual evaluation of the Board's effectiveness always considers the performance of the Chairman, and whether he has performed his role effectively. In recent years, the Directors, led by the SID, have concluded that the Chairman has fulfilled his role and supported effective functioning of the Board.
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.	During the period under review the Board consisted solely of Non-Executive Directors with Nick Hewson as Chairman. All of the Directors are considered by the Board to be independent of the Alternative Investment Fund Manager (the 'AIFM' or 'Investment Manager') and of Atrato Capital Limited (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. The Directors also spend a considerable amount of time reviewing the composition of the Board as well as the longer-term succession plans. The Board established a Remuneration Committee and Nomination Committee in the year to formalise these policies and strategies. The Board aims to be as well-equipped as a Board of any REIT group to give direction and scrutiny to SUPR's activities. More information on the changes to the Board can be found on pages 49.
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	The Board considers the required time commitment annually and during the year under review all Directors continued to devote sufficient amount of time to the Company's business. Both, through their contributions in meetings as well as outside of the usual meeting cycle. 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 '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 to Atrato Capital Limited ('Atrato' or the 'Investment Adviser'). Atrato advises the Group and the AIFM on the acquisition and financing of its Portfolio and on the development, management and disposal of UK commercial assets in its Portfolio pursuant to the Investment Advisory Agreement. The Board keeps the appropriateness of the Investment Adviser's appointment under review. In doing so the Board 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 the other services provided.
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.	The management agreement between the Group and the Investment Manager sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including investment and dividend policies, corporate strategy, gearing and, corporate governance procedures and risk management, are reserved for the approval of the Board of Directors. The Directors remain focused on understanding the needs of the shareholders and other stakeholders and considering how the Board's decisions impact them in the longer term. More information can be found on pages 25 to 27, where Directors explain how they discharged their duties under Section 172 of the Companies Act 2006. A number of Board policies, which help to codify its processes, are reviewed and, if needed, periodically updated. Directors are also regularly provided with any relevant information and have access to the Company Secretary and independent advisors, if deemed necessary.

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.	In 2018, the Directors adopted a Diversity and Inclusion Policy, which sets out the process the Board follows when making new appointments, including how the Directors will ensure that any new appointment will add to the diversity of experience, skill, gender, social and/or ethnic backgrounds of the Board. During the year, the Directors considered succession planning and agreed that the size of the Company warranted appointment of a fourth director, a formal, rigorous and transparent procedure was conducted to appoint an additional director to the Board. More information is contained within the Nomination Committee report on page 50.
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.	During the year ended 30 June 2020 a Nomination Committee was established. The Nomination Committee, comprised of independent non executive Directors, is responsible for identifying and recommending to the Board the appointment of new Directors. The Nomination Committee will regularly consider the balance of skills, experience, diversity and independence of the Board, as well as the strategy and likely future developments in order to assess the current composition of the Board and its suitability, or likely needed changes, in the longer-term. In the coming year the committee will consider and formulate succession plans.
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.	The Directors consider the evaluation of the Board, its Committees and members to be an important aspect of corporate governance and as such the Board has a formal policy to evaluate its own performance annually. The Chairman leads the assessment which covers: • The performance of the Board and its committees, including how the Directors work together as a whole; • The balance of skills, experience, independence and knowledge of the Directors; and • Individual performance, particularly considering whether each Director continues to make an effective contribution. The assessment involves the completion of anonymous questionnaires followed by a discussion with all Directors, as a group and individually. Following the completion of the this years' evaluation process, the Chairman held one to one discussions with the Board members to consider the feedback on the performance of the individuals and the Senior Independent Director, Vince Prior, led the discussion on the performance of the Chairman. The results of the evaluation process were presented to and discussed by the Board and it was concluded that the Board was functioning effectively. An externally run evaluation will be undertaken during the next financial year and every three years thereafter.
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	The Audit Committee supports the Board in fulfilling its oversight responsibilities by reviewing the performance of the external auditor, audit quality, as well as the auditor's objectivity and independence. The Committee also reviews the integrity and content of the Financial Statements, including the on going viability of the Company. More details can be found in the Committee's report on pages 45 to 48.
N	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Audit Committee supports the Board in assessing that SUPR Annual Report present a fair, balanced and understandable assessment of the company's position and prospects. In its assessment, the Committee in particular focuses on the aspects of SUPR's reporting such as: • Whether the information is deemed to be free of bias, reasonable and impartial and it does not omit important elements; • Whether there is a good level of consistency between the front and back sections of the reports and the same conclusions can be drawn from reading the two sections independently; • Whether the key judgements referred to in the narrative reporting are consistent with the disclosures in the back end of the reports and correspond with the risks that the external auditor would include in their report; • Whether there is there a clear and cohesive framework and the important messages are highlighted throughout the document; • Whether the information set out in the reports is easy to find and written in accessible language, and where the use of specialist terms or acronyms is necessary, there a glossary that indicates how they are defined for clarity and consistency.

AIC Code	Principle	Evidence of compliance/explanation of departure from the AIC Code
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	The work of the Audit Committee, that supports the Board through its independent oversight of the financial reporting process, including the financial statements, the system of internal control and management of risk, the appointment and ongoing review of the quality of the work and independence of the Company's external auditor, as well as the procedures for monitoring compliance, is described in pages 45 to 48. The AIFM also provides oversight of the internal control structure and risk management framework as set out in their report on page 59.
P	Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.	The Board has appointed a Remuneration Committee comprised of all Board members, all of whom are Independent. Only members of the Remuneration Committee have the right to attend Committee meetings but other individuals and external advisers may be invited to attend for all or part of any meeting as and when appropriate. Appointments to the Committee are made by the Board. The Chairman of the Board may not be chairman of the Committee. The Remuneration Committee meets at least once each year and otherwise as required, and the Committee chairman attends the AGM to answer any questions about the Committee's activities. The report of the Remuneration Committee to shareholders is included on pages 51 to 53.
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.	The responsibilities of the Committee are set out in the report on page 51 and include setting remuneration policy for the Chairman and the executive team which for these purposes means the Investment Adviser.
R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	The Board considers the appropriateness of the level of remuneration for all Directors each year, having regard to the time commitment and responsibilities involved. The assessment of the performance of the Chairman is determined by the other Directors. However, because there are no performance related elements of the remuneration, there is very little scope for the exercise of discretion or judgement.

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 page 34 of the Strategic report.
Viability Statement	The Board is of the opinion that the viability statement adopted in the preparation of the Annual Report is appropriate.	Further details are set out on page 34 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 Audit, Risk and Internal Controls on page 54 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 & Risk Committee and the Board undertake a full risk review twice a year 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 and Uncertainties on pages 28 to 35 of the Strategic Report.
Fair, balanced and understandable	The Directors confirm that to the best of their knowledge the Annual Report 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 Committee Report on pages 45 to 48.
Appointment of the Adviser	The Directors consider the continuing appointment of the Adviser on the terms agreed in the Investment Advisory Agreement dated 14 September 2020 to be in the best interests of the Company.	Further details are set out in the Directors Report on page 55.
s172	The Directors have considered the requirements of s172 when making strategic decisions.	Further details are set out on pages 25 to 27 of the Strategic Report and pages 39 to 43 of the Governance Report.

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

Environmental policy

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

The investment properties are let on full repairing and insuring leases, meaning its day-to-day environmental responsibilities are limited as properties are controlled by the tenants. We do not purchase any utilities and we cannot use the lease terms to influence how the tenant operates. As a result, we do not submit performance data to benchmarking indices such as the Global Real Estate Sustainability Benchmark. However, the Board and Investment Adviser adopt sustainable principles where possible and the key elements of the Company's environmental policy are:

- We want our properties to minimise their impact on the local and wider environment. We carefully consider the environmental performance of assets before we acquire them, including obtaining an independent environmental report and energy performance certificate ("EPC") for all potential acquisitions, which considers, amongst other matters, the historical and current usage of the site and the extent of any contamination present. This report may lead to further enquiries of the vendor, surveyor or legal teams and is considered by the Investment Committee of the Investment Manager when approving the acquisition;
- Sites are visited periodically and any obvious environmental issues are reported to the Board.
- We perform extensive due diligence on the opportunity to install on-site decarbonised energy producing plant on each acquisition. To date we have completed District Network Operator ("DNO") applications for the installation of extensive rooftop photovoltaic panels covering over 70% of the total gross internal area of our estate.

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

Social policy

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

Whistleblowing Policy

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

The Audit Committee comprises Jon Austen and Vince Prior and is chaired by Jon Austen. Jon Austen has sufficient recent and relevant financial experience to act as chair of the Audit Committee. The Audit Committee has responsibility for, amongst other things, the planning and review of the Group's Annual Report and half-yearly reports and the involvement of the Group's auditors in the process. The Committee focuses in particular on compliance with legal requirements, accounting standards and on ensuring that an effective system of internal financial control is maintained. The Audit Committee also reviews the objectivity of the Group's auditor and the terms under which the Group's auditor is appointed to perform non-audit services.

The terms of reference of the Audit Committee, which are available on the Company website and at the Company registered office for inspection, cover such issues as committee membership, frequency of meetings, quorum requirements and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference relate to the following: external audit, internal audit, financial reporting, internal controls and risk management. The terms of reference also set out reporting responsibilities and the authority of the Committee to carry out its responsibilities.

The Audit Committee will meet at a minimum twice a year and at the appropriate times in the reporting and audit cycle and at such other times as the Committee Chairman shall require.

The Audit Committee's primary responsibility is to monitor the integrity of the financial statements of the Company and Group, covering annual and interim reports and financial statements and any other formal announcement relating to financial performance. The Committee reviews that information and reports to the Board on significant financial reporting issues and judgements, having regard to matters communicated to it by the external auditor. In particular, the Committee reviews and challenges where necessary:

- the consistency of, and any changes to, accounting policies both from year-to-year and across the Company or Group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Group and Company have followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity and completeness of disclosure in the Group's and Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

Where requested by the Board the Audit Committee also reviews the content of the Annual Report to advise the Board whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The other key responsibilities of the Audit Committee are:

- overseeing the relationship with the auditor, including an assessment of their independence and the effectiveness of the external audit;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including those of the Investment Adviser and their delegates as far as they are relevant to the Company;
- reviewing the adequacy and security of the Company's arrangements for any relevant party to raise concerns, in confidence, about possible wrongdoing in financial reporting, regulatory matters or other relevant matters;
- reviewing the Company's procedures for detecting fraud; and
- reviewing the Company's systems and controls for the prevention of bribery and receiving reports on non-compliance.

In overseeing the relationship with the external auditor, the Committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment or removal of the auditor. If an auditor resigns, the Committee is required to investigate the issues leading to this and to decide whether any action is required. The Committee also makes recommendations on the remuneration of the auditor, including fees for both audit and any non-audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted while remaining reasonably consistent with other similar real estate companies. Where the auditor undertakes non-audit work, the Committee considers whether that work could be detrimental to the independence of the auditor. The Committee also approves the auditor terms of engagement, including the scope of the audit, and on an annual basis assesses their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services to the Group and any services to the Investment Adviser and the Investment Manager.

Composition of the Audit Committee

The Audit Committee currently comprises Jon Austen and Vince Prior, and is chaired by Jon Austen. The Committee has assessed whether its members have the requisite skills to carry out their role and believes that the composition of the Committee remains appropriate.

Meetings of the Audit Committee

The Audit Committee met three times during the year. Meetings were held on 2 September 2019, 5 February 2020 and 6 May 2020 prior to the release of the 30 June 2020 results and the December 2019 interim results announcement respectively. All meetings were attended by both members of the Committee.

External audit

BDO LLP were initially appointed as auditor of the Company in June 2017 and were reappointed at the AGM held on 7 November 2019. The audit partner is Russell Field who is retiring on 30 September 2020. The Company's new audit partner for the year ending 30 June 2021 will be Thomas Edward Goodworth.

The Committee met formally with the auditor at each Committee meeting during the year. Part of each meeting took place without the Investment Adviser being present to discuss any issues arising relating to them. The Committee's review of the findings of the audit with the auditor covered:

- a discussion of any major issues which arose during the audit of the Company's accounts to 30 June 2020 and the review of the Group's interim Report to 31 December 2019;
- a review of the key accounting matters and judgements relating to those engagements;
- confirmation of the levels of potential adjustments, if any, identified during the engagements;
- an assessment of the overall control environment; and
- an assessment of the effectiveness of the audit and review processes.

The Committee has considered the performance, effectiveness and objectivity of the auditor through its regular meetings and communications with them. The Committee's assessment is that the auditor has the necessary experience, independence and qualifications to deliver an effective audit, and that their ability to challenge and review the Investment Adviser and Board is sufficient and appropriate.

There are therefore currently no plans for re-tendering the audit. The Committee recommends that shareholders vote in favour of the reappointment of the auditor, which is proposed as an ordinary resolution at the Company's forthcoming AGM.

The total fees charged by the auditor to the Group during the year were £342,000 (12 months to 30 June 2019: £150,000), as disclosed in note 6 to the Group financial statements and including fees accrued for the audit of these financial statements. This total includes £65,000 of non-audit work during the year largely relating to their work as Reporting Accountants in connection with the Company's share placings in October 2019 and May 2020. Such work is, in the Committee's view, most effectively and cost-efficiently carried out by the auditor and is not considered a threat to their independence.

The Committee has approved a policy for non-audit services, which aims to comply with the requirements of the FRC's Revised Ethical Standard 2019 applicable to public interest entities. Non-audit services may not be carried out by the auditor if they are considered to have a direct effect on the financial statements or an indirect effect that is not inconsequential.

Risk management and internal control

During the year, the Audit Committee reviewed the Group's risk register, which is maintained by the Investment Adviser subject to the supervision and oversight of the Committee. Taking into account that review, together with its review of the Group's internal controls and its knowledge of the business, the Committee has reviewed and approved any statements included in the annual report concerning internal controls and risk management. A summary of the risk register is reviewed at least annually by the Board.

The Audit Committee has 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. The Committee considers that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. It has also reviewed the Company's Investment Manager's and Investment Adviser's procedures for detecting fraud and for preventing bribery and considers them to be appropriate.

Significant matters relating to the financial statements

The significant issues and judgements that the Committee reviewed before recommending the financial statements to the Board for approval were as follows:

Matter	Description
Accounting for the Investment in Joint Ventures	The Group entered into a 50:50 joint venture with British Airways Pension Trustees to acquire 100% of the issued share capital of Horndrift Limited for a consideration of £102 million plus costs. The classification and accounting treatment of this investment is subject to significant judgement as a result of the complicated structure that exists below Horndrift Limited. The Audit Committee has reviewed the work of the Investment Adviser and the resultant disclosure and measurement of the investment within the accounts. They consider that the structure is such that they are able to exercise joint control as defined within IAS 28 and therefore the approach to equity account for this as a joint venture is appropriate.
Investment property valuations	Investment properties make up the majority of the Group's assets. Investment property valuations are inherently subjective, but the Group operates in a mature and liquid property market in the UK, which is a jurisdiction with well-developed valuation processes and methodologies. The opinion of external valuers is obtained at each reporting date, using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". The valuations at the balance sheet date were performed by Cushman and Wakefield ("C&W"), who the Audit Committee believes to be suitably independent, competent and experienced to carry out the work. The Committee Chairman attended a meeting between the auditor and C&W which included detailed discussions of material fair value changes and a comparison of changes to external sources. The meeting also included a review of current conditions, in particular the impact of COVID-19, and recent, relevant transactions to provide a context for the valuations and to allow an assessment of the assumptions and judgements made by C&W. The Committee's intention is to continue to meet with the valuer in future to discuss their valuations. The Committee considered that the inputs provided by the Group to C&W for the valuations adopted in the financial statements were accurate. The Committee also reviewed the level of disclosure in note 12 to the financial statements and believes that it meets the requirements of IFRS 13.
Revenue recognition	In accordance with applicable accounting standards, the Group recognises rental income on an accruals basis. Contingent income such as that arising from RPI uplifts is recognised in the income statement in the period in which it is earned. The Group as lessor has adopted IFRS 16 'leases' for the current year, however this has not had a material impact and accordingly there have been no restatements to the Group's previously reported financial information as a result of adopting IFRS 16. The Committee has reviewed recognised rent receivable from each property in the year based on expectations from a review of each lease agreement and having regard to any contractual rent uplifts which took effect in the year and published RPI data. Under IFRS 16 'Leases', the Group is required to recognise rent receivable under operating leases on a straightline basis over the expected term of the lease. This has resulted in the Group accruing £865,000 of uninvoiced rental income in the year to 30 June 2020 in respect of the guaranteed annual uplifts provided within a number of leases. Following this review the Committee is not aware of any issues that suggest Group revenue has not been recognised in accordance with the requirements of IFRS 16.
Management overriding controls	The management of an entity are in a unique position to perpetrate fraud because they have the ability directly or indirectly to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The Committee considered that due to the unpredictable way in which such override could occur, there exists a significant risk of material misstatement due to fraud. In relation to the financial statements for the Group, the Committee would have expected that management override of controls would manifest through bias in the key accounting estimates. The Committee considers the key accounting estimate to be the valuation of investment property. This estimate was considered as a separate risk item above. The Committee also considered other accounting estimates which could be subject to bias within the financial statements but did not identify any material issues. The Committee also considered the transactions that occurred between the Group and the Investment Adviser to confirm that they were in accordance with expectations and the terms of the Investment Advisory Agreement. No issues were identified in relation to these transactions. The Committee did not identify any instances where management have overridden controls to give rise to a material misstatement within the financial records of the Group.

Matter	Description
REIT status	The Company and its subsidiaries gave notice to HMRC on 20 December 2017 that they would be operating as a UK Group REIT, effective from 21 December 2017. Any failure to comply with the various conditions that are required to be satisfied on an on-going basis to operate as a UK Group REIT could have a material impact on the tax balances that need to be reflected in the Group Financial Statements. Following successful entry into the UK Group REIT regime the Group's exposure to UK taxation is minimal. The Committee reviewed the Group's compliance with the various requirements of the UK Group REIT regime having regard to the work undertaken by the Auditor and their tax specialists. The tax returns in respect of the period prior to entry into the REIT regime were finalised and submitted prior to the year ended 30 June 2020. The tax calculations and reconciliations prepared by the Investment Adviser for the purposes of inclusion in the Group's financial statements were considered to ensure that the provisions appropriately reflect the tax payable by the Group at the reporting date in respect of its profits that are excluded from inclusion in the UK Group REIT regime. The Committee has not identified any issues to suggest that the tax provisions and disclosures contained within the Group's financial statements are materially inappropriate.
Going concern and viability statement	The Board is required to consider whether the Group has adequate resources to continue in operational existence for the foreseeable future, which is considered to be at least 12 months from the date of approval of the Annual Report. The Audit Committee has reviewed the work of the Investment Adviser on going concern, which included a report on the Group's liquidity position, compliance with loan covenants and the financial strength of its tenants, together with forecasts of the Group's cash flow over the period to at least September 2021. The Committee has also reviewed the work of the Investment Adviser to support the viability statement included in the Strategic Report, which included forecasts of the Group's results over the period to June 2025. In carrying out both the going concern and viability reviews, the Committee considered the risks and assumptions relevant to those forecasts, including the potential impact of COVID-19 on the business and its tenants and other stakeholders, together with the various sensitivity scenarios and stress tests modelled within them. As a result, the Committee has concluded that the going concern basis of preparation for the financial statements remains appropriate and there is a reasonable expectation that the Group will be able to continue in business over the five year period of the assessment.

Signed on behalf of the Audit Committee
on 17 September 2020.

Jon Austen
Audit Committee Chairman
17 September 2020

New Appointment to the Board

During the year ended 30 June 2020, the Board considered its current composition with reference to diversity, both of gender and social and ethnic backgrounds. It concluded that the appointment of a female board member would be a positive step in improving diversity, in line with the diversity policy, as set out on page 50.

The Board undertook a formal, rigorous and transparent procedure in conjunction with both the Investment Adviser and the Funds Broker, Stifel. Stifel assisted in researching and putting together a short list of female candidates based on merit and objective criteria and, both cognitive and personal strengths. In undertaking the process the Board had regard to both the AIC and FRC Guidance on Board effectiveness.

In line with the FRC Guidance on Board Effectiveness the whole board was responsible for the appointment process taking into account the company's strategic priorities and the main trends and factors affecting the company's long-term success and future viability.

On 6 February 2020 Cathryn Vanderspar was appointed as a non-executive director of the Company.

Role and responsibilities of the Nominations Committee

The Nomination Committee was established on 6 May 2020.

The Board as a whole is responsible for ensuring adequate succession planning so as to maintain an appropriate balance of skills on the Board. Any changes to the structure, size and composition of the Board may be made following recommendations from the Nominations Committee. The Committee operates under written terms of reference. Only members of the Committee have the right to attend meetings of the Committee but other individuals such as the Company Secretary and external advisers may be invited to attend all or part of any meeting as and when appropriate or necessary. The Committee meets at least once a year and otherwise as required, and the Committee chairman attends the AGM to answer any shareholder questions about the Committee's activities.

The responsibilities of the Nominations Committee are:

- to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- to give full consideration to succession planning for Directors and in particular for the key roles chair of the board, audit committee and this committee, taking into account the challenges and opportunities facing the Company, and the skills and expertise expected to be needed on the Board in the future;
- to keep under review the leadership needs of the Group, with a view to ensuring the continued ability of the Group to compete effectively;
- to keep up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates;
- to review the results of the board performance evaluation process that relate to the composition of the board;
- to be responsible for identifying and nominating for Board approval, candidates from diverse backgrounds to fill Board vacancies as and when they arise.

Before any appointment is made by the Board, the Nominations Committee is required to evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall consider whether it is appropriate to use open advertising or the services of external advisers to facilitate the search; consider candidates from a wide range of backgrounds assuming such candidates put themselves forward; and consider candidates on merit, against objective criteria and with due regard for the benefits of diversity on the Board, in all cases taking care that appointees have enough time available to devote to the position. Additional requirements apply for the appointment of the Chairman, including the preparation of a job specification.

The Committee is required to make recommendations to the Board concerning:

- plans for succession for Directors, in particular for the key role of Chairman, and for the Investment Adviser;
- suitable candidates for the role of Senior Independent Director;
- membership of the Audit and Remuneration Committees and any other Board committees as appropriate, in consultation with the chairmen 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;
- the re-election by shareholders of Directors under the annual re-election provisions of the Code, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board, particularly in relation to Directors being re-elected for a term beyond six years;
- any matters relating to the continuation in office of any Director at any time; and
- the appointment of any person as a Director.

Composition of the Nominations Committee

The Nominations Committee comprises all members of the Board and is chaired by Vince Prior.

Report on the Committee's Activities

The Committee was established during May 2020 and has not met during the financial year.

During the next financial year the Committee will meet at least once to consider whether all Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Development

The Chairman 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 Nominations Committee includes monitoring the skills and knowledge of the Directors and, where necessary, further support is provided. Cathryn Vandespar received a formal induction upon the joining the board which consisted of meetings with the Chair, Investment Adviser and Company Secretary. There were no further training or development activities conducted in the year that are considered material to report.

Evaluation

The Nominations Committee will be responsible for reviewing the composition of the Board and performance relating to attendance, appropriate skills and adequacy of time devoted to Board duties. In performing these reviews, the Committee will take account of any feedback provided by shareholders, including through the Company's Nominated Adviser and Broker. The Committee will conduct an annual review of the balance of skills on the Board in the context of the risks identified in the Group's risk register and will report on whether the balance of skills, knowledge, experience and diversity on the Board is appropriate to the Group, its operations and the risks that it faces.

Diversity and inclusion policy

The Board adopted a formal diversity policy during September 2018. The Nominations Committee will be responsible for monitoring adherence to this policy going forward.

The Board was responsible for compliance up to the date when the Nominations Committee was formed. 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 at Board level and encourage candidates from all educational backgrounds and walks of life. What is important is professional achievement and the ability to be a successful Director based on the individual's skill set and experience. Qualifications are considered when necessary to ensure compliance with regulation such as in relation to appointments to the Audit Committee. 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. As at the date of this report the Board consisted of three male and one female member meaning we have a 25% female Board representation.

Succession Planning

In conducting the annual review of the size structure and composition of the Board, the Committee will have regard to the likely future needs of the Company including the terms of service for Directors recommended by the Code. The Investment Adviser is appointed under an agreement which expires in July 2022 and which is further commented on in the Report of the Remuneration Committee on page 51.

Signed on behalf of the Nominations Committee

Vince Prior
Nomination Committee Chairman
17 September 2020

Annual Statement

The Board voted to establish a Remuneration Committee during the year ended 30 June 2020. The Board comprises only independent non-executive Directors and I was appointed as its Chair.

The Group has no executive Directors or employees. The Committee determines the level of Directors' fees and this was the only major decision that the Committee took during the year.

Full details of the Group's policy with regards to Directors' fees and fees paid during the year ended 30 June 2020 are shown below.

Cathryn Vandespar
Remuneration Committee Chairwoman
17 September 2020

Role of the Remuneration Committee

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 Chairman;
- review the ongoing appropriateness and relevance of the remuneration policy; and
- 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 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. 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.

The Committee has responsibility for ensuring that engagement between the Independent Directors and the employees of the Investment Adviser are appropriate and that the workplace culture of the Atrato Group is aligned with the values of the Company and appropriate for the delivery of the Company's strategy. No workforce issues have been identified in this regard.

Composition of the Remuneration Committee

The Remuneration Committee comprises all members of the Board, whose biographies are shown on page 36, and is chaired by Cathryn Vanderspar. All members of the Committee are Independent Directors.

Meetings of the Remuneration Committee

The Remuneration Committee met once during the financial year. This meeting was attended by all members of the Committee.

Remuneration Policy

The Company's policy is to determine the level of fees with due regard to the experience of the board as a whole, the time commitment required and to be fair and comparable to non-executive directors of other similar companies. The Board considers the level of directors' fees at least annually with any changes being applicable from the start of the next financial year. The remuneration of the Directors for their services are determined within the limit set out in the Company's Articles of Association. The present limit states that fees in aggregate shall not exceed £500,000 per annum but this may be changed by way of ordinary resolution. Directors can also be paid additional remuneration if approved at a General Meeting. Directors' fees are fixed and payable in cash, monthly in arrears. Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

The Company may repay to any Director all such reasonable expenses incurred in undertaking their duties.

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. 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. The Directors' remuneration policy was approved by shareholders at the 2018 AGM with 100% of the votes cast being in favour of the resolution. Shareholder views for any proposed changes to that policy will be sought prior to it being subject to another shareholder vote in 2021. The Directors' remuneration report for the year ended 30 June 2019 was approved by the shareholders at the 2019 AGM with 99.84% of the votes cast being in favour.

In accordance with the Articles of Association, all Directors are required to retire and seek re-election at least every three years. Although not required by the Company's Articles of Association, the Company is choosing to comply voluntarily with the provision of the UK Corporate Governance Code requiring all directors

of FTSE 350 companies to be subject to annual election. All four directors retire at each annual general meeting and those eligible and wishing to serve again offer themselves for election.

Director	Date of original appointment	Most recent date of election	**Latest due date of re-election**
Nick Hewson	20 June 2017	7 November 2019	**31 December 2020**
Jon Austen	20 June 2017	7 November 2019	**31 December 2020**
Vince Prior	20 June 2017	7 November 2019	**31 December 2020**
Cathryn Vanderspar	5 February 2020	–	**31 December 2020**

Directors Fees

The Board 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 2020, as fees had remained unchanged since the IPO in July 2017. Having regard to the increase in size and complexity of the Group and the fee levels identified during the benchmarking exercise, fees for all Board members and the Chairman were increased with effect from 1 July 2020. In aggregate total fees remain under the limit set out in the Governing documents as set out below.

	Revised fee per annum	Fees agreed in 2017
Chairman	£70,000	£55,000
Non-Executive Directors ('NEDs')	£50,000	£35,000
Senior Independent Director ('SID')*	£5,000	£3,500
Audit Committee Chair*	£7,500	£5,000

* In addition to the Non-Executive Director fee payable

Annual Report on Remuneration

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:

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000	Fixed Remuneration (both years) %	Annual percentage change since IPO (July 2017)[1] %
Nick Hewson	55	55	100	0
Jon Austen	40	40	100	0
Vince Prior	39	39	100	0
Cathryn Vanderspar	14	–	100	0

1 Or date of appointment if later.

Relative importance of spend on pay

The table below sets out, in respect of the year ended 30 June 2020:

a) The remuneration paid to the Directors;

b) The management fee and expenses which have been included to give shareholders a greater understanding of the relative importance of spend on pay; and

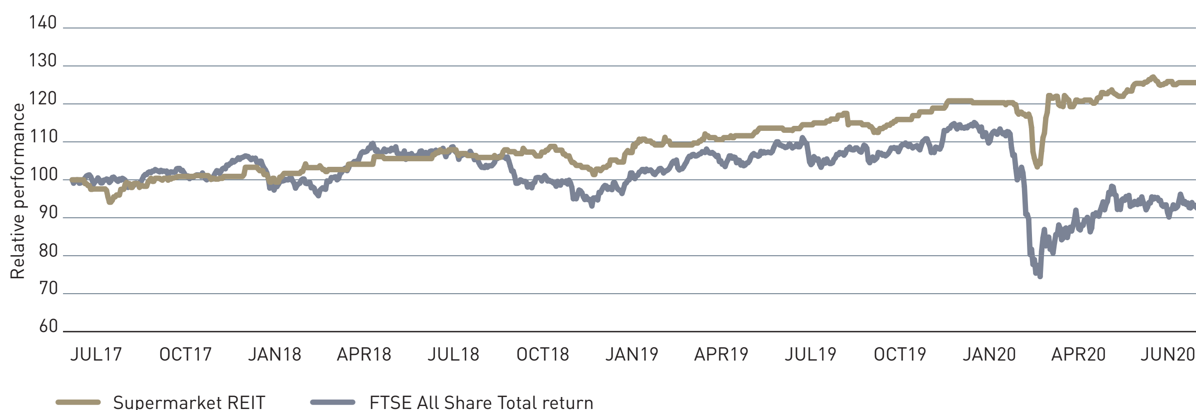
c) Distributions to shareholders by way of dividend.

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000	Variance year-on-year %
Directors' fees	165	146	13
Management fee and expenses	3,252	1,814	79
Dividends paid	20,045	10,934	83

Director's fees as a percentage of:

	Year ended 30 June 2020 %	Year ended 30 June 2019 %
Management fee and expenses	5.1	80
Dividends paid	0.82	1.34

FTSE All Share Total Return vs SUPR



Directors' shareholdings (audited)

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 30 June 2020 and at the date of this report:

Directors	As at the date of this report September 2020	As at 30 June 2020
Nick Hewson	433,575	433,575
Jon Austen	144,270	144,270
Vince Prior	76,019	76,019
Cathryn Vandespar	19,418	19,418

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 Investment Manager. The Investment Manager 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 year from 1 July 2019 to 30 June 2020, 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 2020 is given in the Strategic Report.

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.

Voting at Annual General Meeting

An Ordinary resolution to approve the 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 Remuneration Report at this meeting.

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

Cathryn Vandespar
Remuneration Committee Chairwoman
17 September 2020

The Directors present their report together with the audited financial statements for the year ended 30 June 2020. The Corporate Governance Statement pages 38 to 42 forms part of their report.

Results and dividends

The results for the year are set out in the attached financial statements. It is the policy of the Board to declare and pay dividends as quarterly interim dividends. During the year and subsequently, the following interim dividends amounting to aggregate 5.8 pence per share were declared:

Date declared	Amount per share (pence)	Date paid
8 July 2019	1.419	7 August 2019
8 October 2019	1.419	7 November 2019
8 January 2020	1.460	7 February 2020
8 April 2020	1.460	22 May 2020
8 July 2020	1.460	7 August 2020

Dividend policy

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

Principal activities and status

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

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

Strategy and investment policy

The strategy and investment objectives of the Group are set out in the Strategic Report on pages 10 to 17.

Risk management and internal control

The Board is responsible for financial reporting and controls, including the approval of the Annual Report, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including the use of derivative financial instruments. During the year the Board has carried out a robust assessment of the emerging and principal risks facing the Group and the disclosures, as described in the Strategic Report on pages 28 to 35, that describe those risks, the procedures in place to identify them, and explain how they are being managed or mitigated.

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

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

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

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

Directors are expected to attend all meetings of the Board and all meetings of those committees on which

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

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

Director	Audit Committee	Quarterly Board
Nick Hewson	n/a	4/4
Vince Prior	3/3	4/4
Jon Austen	3/3	4/4
Cathryn Vanderspar	n/a	2/2

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

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

Investment Advisory Agreement

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

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

Specifically:

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

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

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

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

Directors

All three Directors retired and were re-elected at the AGM on 7 November 2019. In accordance with the Articles of Association, all Directors are required to retire and seek re-election at least every three years. Although not required by the Company's Articles of Association, the Company is choosing to comply voluntarily with the provision of the UK Corporate Governance Code requiring all directors of FTSE 350 companies to be subject to annual election. All three Directors retire at each AGM and those eligible and wishing to serve again offer themselves for election.

The Company maintains £10 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors, which was in place throughout the year. The level of cover was increased to £20m on 19 July 2020 and continues in effect at the date of this report.

Directors' interests

The beneficial interests of the Directors and their families in the Ordinary shares of the Company as at 30 June 2020 were as follows:

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

Significant shareholdings

As at 30 June 2020 the Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the ordinary shares of the Company:

	Number of shares	Percentage of issued share capital
Thames River Capital	32,910,821	6.95%
Premier Miton	32,441,967	6.85%
Quilter Cheviot Investment Management	31,796,558	6.71%
Close Brothers Asset Management	31,309,354	6.61%
Smith and Williamson Wealth Management	27,610,884	5.83%
Cazenove Capital Management	25,462,546	5.38%
West Yorkshire PF	25,266,291	5.33%
Canaccord Genuity Wealth Management (Inst)	21,941,748	4.63%
Aberdeen Standard Investments	19,831,500	4.19%
Ruffer	16,707,454	3.53%
River and Mercantile	16,125,471	3.40%

Political contributions

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

Energy and Carbon reporting

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

During the year ended 30 June 2020:

- performed extensive due diligence on the opportunity to install on-site decarbonised energy producing plant across our estate. To date we have commenced District Network Operator (DNO) applications for the installation of extensive rooftop photovoltaic panels covering over 70% of the total GIA of our estate. Through green energy investment, we not only generate an income producing asset but also reduce costs for our tenants whilst also assisting their transition to a lower carbon emission future
- any emissions from the Group's properties have been the tenant's responsibility rather than the Group's, so the principle of operational control has been applied;
- any emissions that are either produced from the Company's registered office or from offices used to provide administrative support are deemed to fall under the Investment Adviser and Investment Manager's responsibility; and
- the Group has not leased or owned any vehicles which fall under the requirements of Mandatory Emissions Reporting.

As such, the Board believes that the Company has no reportable emissions for the year ended 30 June 2020 (12 months to 30 June 2019: none).

Employees

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

Post balance sheet events

- On the 6 July 2020 the Group announced the acquisition of a Portfolio of 6 omnichannel supermarkets via a sale and leaseback transaction with Waitrose for £74.1 million (excluding acquisition costs), which are let to Waitrose on new 20-year leases with a tenant-only break option in year 15 and are subject to five-yearly, upward-only, CPIH-linked rent reviews.
- On the 27 July 2020 the Group announced the acquisition of a Tesco store in Newmarket, which was acquired for £61.0 million (excluding acquisition costs) with an unexpired lease term of 15 years with annual, upward-only, RPI-linked rent reviews.
- On the 10 August 2020, the Group announced the acquisition of a Morrisons store in Telford, which was acquired for £14.3 million (excluding acquisition costs) with an unexpired lease term of 13 years with five-yearly, upward-only, RPI-linked rent reviews.
- On the 14 September 2020, Tesco in Bracknell, Berkshire for £39.5m (excluding acquisition costs) with10 years unexpired lease term and annual, upward-only, RPI-linked rent reviews.

- On the 27 July 2020, the Group announced a new revolving credit facility ("RCF") of £60.0 million with Wells Fargo. This secured, interest-only, RCF has an initial five-year term and two further one-year extension options. The RCF has a margin of 2.0% above 3-month Libor which is currently equivalent to a total cost of 2.1%. The RCF also includes a £100 million uncommitted accordion option, exercisable at any time over the term of the facility.
- In August 2020, the Group also increased facilities with Bayerische Landesbank by £34.8 million comprising a new £27.5 million, secured, five-year tranche and a further £7.3 million tranche, upsizing its existing £52.1 million secured term loan for the remaining three-year term. The new facilities are in both cases priced at a 1.85% margin over 3-month Libor, representing a total cost of debt of 2.0%.
- On the 15 September 2020, the Group agreed an increase to our existing HSBC RCF of £40.0 million at a 1.75% margin over 3-month Libor, representing a total cost of debt of 1.8% whilst other terms remain the same as the existing £100m RCF.
- Increased dividend target for the FY 2021 to 5.86 pence per share, increased in line with June 2020 RPI inflation.

Other disclosures

Disclosures of financial risk management objectives and policies and exposure to financial risks are included in note 20 to the financial statements. Details of future developments are included in the Strategic Report on pages 1 to 23. Details of the Company's capital structure are included within the Financial Statements on page 88.

Disclosure of information to auditor

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

Auditor

BDO LLP was appointed as auditor by the Directors in June 2017 and was re-appointed as auditor by the Company's shareholders at the AGM held on 7 November, 2019. BDO LLP have expressed their willingness to continue as auditor for the financial year ending 30 June 2021. A resolution to appoint BDO LLP as auditor of the Company will be proposed at the forthcoming AGM.

Signed by order of the Board on 17 September 2020.

Nick Hewson
Chairman
17 September 2020

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

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

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

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

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

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

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

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

Responsibility Statement

The Directors confirm to the best of their knowledge:

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

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

Nick Hewson
Chairman
17 September 2020

Background

The Alternative Investment Fund Manager's Directive (the "AIFMD") came into force on 22 July 2013. The objective of the AIFMD was to ensure a common regulatory regime for funds marketed in or into the EU which are not regulated under the UCITS regime. This was primarily for investors' protection and also to enable European regulators to obtain adequate information in relation to funds being marketed in or into the EU to assist their monitoring and control of systemic risk issues.

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

1. Material Changes in the Disclosures to Investors

During the financial year under review, there were no material changes to the information required to be made available to investors before they invest in the Company under Article 23 of the AIFMD from that information set out in the Company's prospectus dated 12 September, 2019, save as updated in the supplementary prospectus dated 9 April, 2020 and as disclosed below and in certain sections of the Strategic Report, those being the Chairman's Statement, Investment Adviser's Report, Our Market, Implementing the Group's Investment Policy and Our Principal Risks sections in this Annual Report.

2. Risks and Risk Management Policy

The current principal risks facing the Company and the main features of the risk management systems employed by AIFM and the Company to manage those risks are set out in the Strategic Report, the Directors' Report and in notes 17 and 19 to the financial statements.

3. Leverage and borrowing

The Company is entitled to employ leverage in accordance with its investment policy and as described in the sections entitled "Financing and Hedging" in the Investment Adviser's Report and in notes 17, 18 and 26 to the financial statements. Other than as disclosed therein, there were no changes in the Company's borrowing powers and policies.

4. Remuneration of the AIFM's Directors and Employees

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

5. Remuneration of the AIFM Payable by the Company

The AIFM was during the period under review paid a fee of 0.04% per annum of the net asset value of the Company, subject to a minimum of £50,000 per annum, such fee being payable quarterly in arrears. The total fees paid to the AIFM during the year under review were £110,966.

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

Opinion

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 2020 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cash flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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).

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on pages 28 to 35 in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 70 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 54 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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 we addressed the key audit matter in the audit
Valuation of investment properties As detailed in note 12, the Group, directly or through its joint venture, owns a portfolio of investment properties which, as described in the accounting policy in note 3.10, are held at fair value in the Group financial statements. As described in the significant accounting judgements, estimates and assumptions section of note 2, determination of the fair value of investment properties is a key area of estimation. The Group engaged an independent expert valuer to undertake the valuation of its investment property portfolio. The valuation of the Group's investment properties requires significant judgements to be made by the valuer. Any input inaccuracies or unreasonable judgements could result in a material misstatement of the financial statements. We therefore considered this to be a key audit matter.	Our audit work included, but was not restricted to, the following: • 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 or limitations in the scope of their work. • We 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. • We met with the Group's external valuer to discuss and challenge the valuation methodology and key assumptions and considered if there were any indicators of undue management influence on the valuations. • We tested the accuracy of the key observable valuation inputs supplied to and used by the external valuer. This primarily involved agreeing that the passing rental income and lease terms were consistent with the information that we had audited. • We compared the key valuation assumptions against our independently formed market expectations and challenged the external valuer where significant variances from these expectations were identified. We corroborated their responses to supporting documentation where appropriate. The key valuation assumptions were the market capitalisation rates and market rental values, which we evaluated by reference to market data based on the location and specifics of each property. • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

Key observations
We did not identify any indicators to suggest that the valuation of the Group's investment properties (both held directly and indirectly through its joint venture) is inappropriate.

Key audit matter	How we addressed the key audit matter in the audit
Accounting for interests in joint ventures As detailed in note 14, during the year the Group entered into a 50:50 joint venture in order to acquire 100% of the issued share capital of Horndrift Limited, which holds a 25.5% share of certain beneficial interests in a property trust arrangement. As described in the significant accounting judgements, estimates and assumptions section of note 2, determination of the nature of the interest held in the property trust arrangement via Horndrift Limited was subject to significant judgement. Furthermore, the notional purchase price allocation exercise performed on the acquisition of the interest required estimation to determine the fair value of the assets and liabilities held within the property trust arrangement, including the investment property portfolio, the fixed coupon borrowings and the interest rate derivatives. Given the significant judgements and estimation involved we considered this to be a key audit matter.	Our audit work included, but was not restricted to, the following: • We inspected the agreements in relation to the formation of the joint venture structure and the purchase agreements in respect of the joint venture's subsequent acquisition of Horndrift Limited. We verified: i) the purchase price paid; ii) a sample of directly attributable transaction costs to supporting documentation and; iii) the share of the acquisition cost attributable to the Group. • We inspected the underlying contractual agreements and deeds in respect of the property trust arrangement and the key due diligence documentation prepared in connection with the transaction in order to evaluate the key judgements made by the Directors in determining that Horndrift Limited had joint control over the property trust arrangement. • We assessed the notional purchase price allocation by: i) Evaluating the fair value of the investment property portfolio held within the property trust arrangement by applying the same procedures as detailed in the "Valuation of investment properties" key audit matter above. ii) Evaluating the fair value of the fixed coupon borrowings and the interest rate derivatives held within the property trust arrangement by performing an independent valuation of the instruments based on a market approach. iii) Verifying, on a sample basis, the other identifiable assets and liabilities held to corroborating evidence. iv) We recalculated the negative goodwill recognised upon acquisition. • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to the joint venture.

Key observations

We did not identify any indicators to suggest that the Group's accounting for its joint venture interest 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.

The materiality for the Group financial statements as a whole was set at £6.0 million (2019: 3.6 million). This was determined with reference to a benchmark of the Group's total assets (of which it represents 1.0 per cent) which we consider to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group. The Group financial statement materiality level applied in the previous year was determined by reference to Group property assets (of which it represented 1.0 per cent), being the principal assets held by the Group at that time. Following the acquisition of the joint venture interest in the current year, the Group now holds significant non property assets. Consequently, we consider that the Group's total assets now represent a more relevant metric for the likely users of the financial statements and therefore a more appropriate benchmark for determining our materiality level.

The materiality for the Parent Company financial statements as a whole was set at £5.2 million (2019: £2.6 million), determined with reference to a benchmark of the Parent Company's total assets, of which it represents 1.1 per cent (2019: 1.1 per cent).

ISAs (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £800,000 (2019: £450,000), determined with reference to a benchmark of the Group's EPRA earnings, of which it represents 4.8 per cent (2019: 4.5 per cent), to apply to those classes of transactions and balances which impact on those earnings.

We set performance materiality at 75% (2019: 75%) of the respective materiality levels, having considered a number of factors including the expected total value of known and likely misstatements based on previous assurance engagements and other factors.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £120,000 (2019: £75,000). We also agreed to report differences in excess of £16,000 (2019: £10,000) that impacted upon EPRA earnings and other differences that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level.

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 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 all the work necessary 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 above. 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.

The extent to which the audit was capable of detecting irregularity including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law, UK tax legislation (including the REIT regime requirements) and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures to respond to the risk, 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 or intentional misrepresentations, or through collusion.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We reviewed minutes of all Board and Committee meetings held during and subsequent to the year for any indicators of non-compliance and made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also made similar enquiries of advisers to the Group, where information from that adviser has been used in the preparation of the Group financial statements. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by the auditing standards would identify it.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report 2020, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 43 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 45 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 38 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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.

Matters on which we are required to report by exception

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.

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:

- 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 on page 58, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Directors in June 2017 to audit the financial statements for the period ending 30 June 2018. We were subsequently reappointed by the members at the Parent Company's first Annual General Meeting in November 2018 to audit the financial statements for the year ending 30 June 2019 and subsequent financial years. The period of total uninterrupted engagement is three years, covering the periods ending 30 June 2018 to 30 June 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

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.

Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
17 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

	Notes	Year to 30 June 2020 £000	Year to 30 June 2019 £000
Rental income	4	26,352	17,231
Administrative and other expenses	5	(5,184)	(3,088)
Operating profit before changes in fair value of investment properties and share of income from joint venture		**21,168**	**14,143**
Changes in fair values of investment properties	12	13,052	647
Share of income from joint venture	14	486	–
Negative goodwill	14	2,960	–
Total share of income from joint venture		**3,446**	–
Operating profit		**37,666**	**14,790**
Finance expense	8	(4,903)	(4,180)
Profit before taxation		**32,763**	**10,610**
Tax charge for the year	9	–	(18)
Profit for the year		**32,763**	**10,593**
Items to be reclassified to profit or loss in subsequent periods			
Fair value movements in interest rate derivatives	17	(818)	(1,121)
Total comprehensive income for the year		**31,945**	**9,471**
Total comprehensive income for the year attributable to ordinary shareholders		**31,945**	**9,471**
Earnings per share – basic and diluted	10	9.8 pence	5.3 pence

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

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

Nick Hewson
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £000	Share premium reserve £000	Cash flow hedge reserve £000	Capital reduction reserve £000	Retained earnings £000	Total £000
As at 1 July 2019	**2,398**	**203,672**	**(1,203)**	**14,391**	**11,212**	**230,470**
Comprehensive income for the year	–	–	–	–	–	–
Profit for the year	–	–	–	–	32,763	32,763
Other comprehensive income	–	–	(818)	–	–	(818)
Total comprehensive income for the year	**–**	**–**	**(818)**	**–**	**32,763**	**31,945**
Transactions with owners						
Ordinary shares issued at a premium during the year	2,337	237,483	–	–	–	239,820
Share issue costs	–	(5,029)	–	–	–	(5,029)
Interim dividends paid	–	–	–	(14,391)	(5,654)	(20,045)
As at 30 June 2020	**4,735**	**436,126**	**(2,021)**	**–**	**38,321**	**477,161**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £000	Share premium reserve £000	Cash flow hedge reserve £000	Capital reduction reserve £000	Retained earnings £000	Total £000
As at 1 July 2018	**1,844**	**149,039**	**(82)**	**25,325**	**620**	**176,746**
Comprehensive income for the year	–	–	–	–	–	–
Profit for the year	–	–	–	–	10,593	10,593
Other comprehensive income	–	–	(1,121)	–	–	(1,122)
Total comprehensive income for the year	**–**	**–**	**(1,121)**	**–**	**10,593**	**9,472**
Transactions with owners						
Ordinary shares issued at a premium during the year	554	55,695	–	–	–	56,249
Share issue costs	–	(1,062)	–	–	–	(1,062)
Interim dividends paid	–	–	–	(10,934)	–	(10,934)
As at 30 June 2019	**2,398**	**203,672**	**(1,203)**	**14,391**	**11,212**	**230,470**

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

1. Basis of preparation

General information

Supermarket Income REIT plc (the "Company") is a company registered in England and Wales with its registered office at The Scalpel 18th Floor, 52 Lime Street, London, United Kingdom EC3M 7AF. The principal activity of the Company and its subsidiaries (the "Group") is to provide its shareholders with an attractive level of income together with the potential for capital growth by investing in a diversified portfolio of supermarket real estate assets in the UK.

At 30 June 2020 the Group comprised the Company and its wholly owned subsidiaries as set out in Note 13. Each of these subsidiaries is incorporated in England and Wales and has the same registered office as the Company.

Basis of preparation

These consolidated financial statements set out in this report covers the year to 30 June 2020, with comparative figures relating to the year to 30 June 2019, and includes the results and net assets of the Group.

The consolidated financial statements have been prepared in accordance with:
- International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union;
- The Disclosure and Transparency Rules of the Financial Conduct Authority; and
- The Companies Act 2006, as applicable to companies reporting under IFRS.

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

Going concern

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

During the period covered by this report, the Group has raised a total of £239.8 million from the issue of equity shares and a further £76.6million under the Deka Bank facility referred to in note 18. All financial covenants have been met to date.

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

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

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

Accounting convention and currency

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

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

Adoption of new and revised standards

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

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

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

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

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

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

2. Significant accounting judgements, estimates and assumptions

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

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

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

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

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

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

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

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

2. Significant accounting judgements, estimates and assumptions continued

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

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

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

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

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

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

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

3. Summary of significant accounting policies

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

3.1 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 June 2020.

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

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

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

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

3.2 Business Combinations

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

3.3 Joint Ventures

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

3.4 Segmental information

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

3.5 Rental income

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

- Any rental income from fixed and minimum guaranteed rent review uplifts is recognised on a straight-line basis over the lease term;
- Lease incentives are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

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

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

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

3.6 Finance expense

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

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

3.7 Administrative and other expenses

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

3.8 Dividends payable to shareholders

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

3.9 Taxation

Non-REIT taxable income

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

3. Summary of significant accounting policies continued

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

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

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

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

Investment properties are recognised when the risks and rewards of ownership have been transferred and are measured initially at cost, being the fair value of the consideration given, including transaction costs. Where the purchase price (or proportion thereof) of an investment property is settled through the issue of new ordinary shares in the company, the number of shares issued is such that the fair value of the share consideration is equal to the fair value of the asset being acquired. Transaction costs include transfer taxes and professional fees for legal services. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property. All other property expenditure is written off in profit and loss as incurred.

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

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

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

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

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

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

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

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

Derivative financial instruments and hedge accounting
The Group's derivative financial instruments currently comprise an interest rate cap and interest rate swap. Both are designated as hedging instruments for which hedge accounting is being applied as under IAS 39. These instruments are used to manage the Group's cash flow interest rate risk.

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

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

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

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

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

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

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

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

Further details of the accounting for the proceeds from the issue of shares in the period are disclosed in note 20.

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

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

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

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

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

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

3. Summary of significant accounting policies continued

3.14 Occupational leases

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

4. Rental income

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

Included within rental income is a £865,000 (2019: £366,000) rent smoothing adjustment that arises as a result of IFRS 16 'Leases' requiring that rental income in respect of leases with rents increasing by a fixed percentage to be accounted for on straight-line basis over the lease term. During the period this resulted in an increase in rental income and an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation.

On an annualised basis, rental income comprises £12,844,000 (2019: £10,500,000) relating to the Group's largest tenant, £10,725,000 (2019: £4,280,000) relating to the Group's second largest tenant and £2,783,000 (2019: £2,451,000) relating to the Group's third largest tenant.

5. Administrative and other expenses

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

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

6. Operating profit

Operating profit is stated after charging fees for:

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

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

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

The other non-audit services charged to income in the current period relate to work as Reporting Accountants in connection with the share placing in October 2019 and May 2020. The audit-related services are as described above.

7. Directors' remuneration

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

	Year to 30 June 2020 £000	Year to 30 June 2019 £000
Directors' fees	148	134
Employer's National Insurance Contribution	17	12
Total Directors' remuneration	**165**	**146**

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

8. Finance expense

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

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

8. Finance expense continued

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

9. Taxation

A) Tax charge in profit or loss

	Year to 30 June 2020 £000	Year to 30 June 2019 £000
Corporation tax	–	18

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT regime exempts the profits of the Group's property rental business from UK corporation tax. To operate as a UK Group REIT a number of conditions had to be satisfied in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since the 21 December 2017 the Group has met all such applicable conditions.

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

B) Reconciliation of the tax charge for the year

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

10. Earnings per share

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

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

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

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

10. Earnings per share continued

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

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

11. Dividends

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

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

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

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

On 8 April 2020, the Board declared a Q3 interim dividend of 1.460 pence per share, which was paid on 22 May 2019 to shareholders on the register on 1 May 2020.

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

12. Investment properties

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

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

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

12. Investment properties continued

	Freehold £000	Long Leasehold £000	Total £000
At 1 July 2019	84,450	283,780	368,230
Property additions	148,825	–	148,825
Capitalised acquisition costs	8,438	–	8,438
Revaluation movement	2,317	11,600	13,917
Valuation at 30 June 2020	**244,030**	**295,380**	**539,410**

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

All property acquisitions in the period were direct asset acquisitions.

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

Included within the carrying value of investment properties at 30 June 2020 is £1,560,000 (2019: £694,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 4. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value. The effect of this adjustment on the revaluation movement for the period is as follows:

	1 July 2019 to 30 June 2020 £000	1 June 2018 to 30 June 2019 £000
Revaluation movement per above	13,917	1,013
Rent smoothing adjustment (note 4)	(865)	(366)
Change in fair value recognised in profit or loss	**13,052**	**647**

Valuation techniques and key unobservable inputs

Valuation techniques used to derive fair values
The valuations have been prepared on the basis of market value which is defined in the RICS Valuation Standards as 'the estimated amount for which an asset or liability should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'. Market value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRS.

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

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

12. Investment properties continued

Sensitivity of measurement of significant valuation inputs

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

Sensitivity analysis – impact of changes in initial yields and passing rent

Initial yields of the Group's investment properties at 30 June 2020 range from 4.27% to 6.21% (2019: 4.36% to 5.70%). A 0.25% shift of the initial yield on all the Group's investment properties would have an approximate £23.8 million (2019: £18.1 million) impact on the total valuation of the properties. Passing rents on the Group's investment properties at 30 June 2020 range from £1.6 million to £4.0 million (2019: £1.6 million to £3.9 million). A 1% movement in the passing rents across all the Group's investment properties would have approximately a £2.9 million (2019: £3.7 million) impact on the total valuation of the properties.

13. Subsidiaries

The companies listed in the following table were the subsidiary undertakings of the Company at 30 June 2020 all of which are wholly owned. All subsidiary undertakings are incorporated in England with their registered office at The Scalpel 18th Floor, 52 Lime Street, London, United Kingdom EC3M 7AF.

Company name	Type of holding	Nature of business
Supermarket Income Investments UK Limited	Direct	Intermediate parent company
Supermarket Income Investments (Midco2) UK Limited	Direct	Intermediate parent company
Supermarket Income Investments (Midco3) UK Limited	Direct	Intermediate parent company
Supermarket Income Investments (Midco4) UK* Limited	Direct	Intermediate parent company
SII UK Halliwell (MIDCO) LTD*	Direct	Intermediate parent company
Supermarket Income Investments UK (NO1) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO2) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO3) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO4) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO5) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO6) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO7) Limited	Indirect	Property investment
Supermarket Income Investments UK (NO8) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO9) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO10) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO11) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO12) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16a) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16b) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO16c) Limited*	Indirect	Property investment
Supermarket Income Investments UK (NO17) Limited*	Indirect	Property investment
SII UK Halliwell (No1) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No2) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No3) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No4) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No5) LTD*	Indirect	Investment in Joint venture
SII UK Halliwell (No6) LTD*	Indirect	Investment in Joint venture

* New subsidiaries incorporated during the year ended 30 June 2020

14. Investment in joint ventures

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

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

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

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

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

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

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

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

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

14. Investment in joint ventures continued

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

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

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

	30 June 2020 £000
Non-current assets	
Investment properties	227,400
Total non-current assets	**227,400**
Current assets	
Trade and other receivables	7,403
Cash and cash equivalents	–
Total current assets	**7,403**
Total assets	**234,803**
Non-current liabilities	
Debt securities in issue	102,320
Interest rate derivative	6,478
Deferred tax	5,376
Other liabilities	4,445
Total non-current liabilities	**118,619**
Current liabilities	
Trade and other payables	4,023
Total current liabilities	**4,023**
Total liabilities	**122,642**
Net assets	**112,161**
Group's share of net assets	**56,081**

15. Trade and other receivables

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

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

16. Trade and other payables

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

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

17. Interest rate derivatives

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

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

The fair value at the end of period comprises:	£000	£000
At start of period	(1,113)	37
Interest rate cap premium paid on inception	–	26
Amortisation of cap premium in the period (note 8)	(57)	(55)
Changes in fair value of interest rate derivative in the period	(1,112)	(1,374)
Charge to the Income Statement (note 8)	294	253
Fair value as at 30 June 2020	**(1,988)**	**(1,113)**

To partially mitigate the interest rate risk that arises as a result of entering into the debt facilities referred to in note 18, the Group has entered into a derivative interest rate cap ('the cap') and a derivative interest rate swap ('the swap').

The total notional value of the cap was £63.5 million with its term coinciding with the expiry of the term of the HSBC credit facility. The strike rate of the cap as at 30 June 2020 was 1.75%, which caps the Group's cost of borrowing at 3.35% on the hedged notional amount.

The total notional value of the swap was £52.1 million with its term coinciding with the maturity of the Bayerische Landesbank loan facility. The fixed interest rate of the swap as at 30 June 2020 was 1.305%.

The Group uses all of its interest rate derivatives in risk management as cash flow hedges to protect against movements in future interest cash flows on secured loans which bear interest at variable rates. The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. All of the Group's variable rate debt was hedged as at 30 June 2020 (30 June 2019: 80%) with £63.5 million of the cap not currently being utilised in a hedging relationship. It is the Group's target to hedge at least 60% of the Group's total debt at any time using interest rate derivatives.

17. Interest rate derivatives continued

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

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

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

18. Bank borrowings

	As at 30 June 2020 £000	As at 30 June 2019 £000
Amounts falling due after more than one year:		
Secured debt	**128,660**	144,894
Less: Unamortised finance costs	**(1,869)**	(1,186)
Bank borrowings per the consolidated statement of financial position	**126,791**	**143,708**

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

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

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

All the advances drawn under the credit facility have an interest charge which is payable quarterly based on a margin above three-month LIBOR.

As at 30 June 2020, the full amount of the BLB loan facility had been drawn down. Interest is payable quarterly on the loan facility based on a margin of 125 basis points above three-month LIBOR. The fixed interest rate on the loan facility resulting from the Interest rate swap was 2.55%.

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

All three facilities have loan covenants of 60% LTV and 200% interest cover. There have been no defaults or breaches of any loan covenants during the current or any prior period. As at 30 June 20, under the HSBC credit facility, loan covenants were 0% LTV and 1260% interest cover, under the BLB facility, loan covenants were 35% LTV and 520% interest cover and under the Deka facility, loan covenants were 48% LTV and 565% interest cover.

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

18. Bank borrowings continued

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

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

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

19. Categories of financial instruments

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

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

Financial risk management

Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to minimise the effect of these risks, for example by using an interest rate cap and interest rate swap derivative to partially mitigate exposure to fluctuations in interest rates, as described in note 17.

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

Market risk

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

The Group's interest-bearing financial instruments comprise cash and cash equivalents and bank borrowings. Changes in market interest rates therefore affect the Group's finance income and costs, although the Group has purchased interest rate derivatives as described in note 17 in order to partially mitigate the risk in respect of finance costs. The Group's sensitivity to changes in interest rates, calculated on the basis of a ten-basis point increase or decrease in closing three-month LIBOR, was as follows:

19. Categories of financial instruments continued

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

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

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

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

The credit risk of rent receivables is considered low because the counterparties to the operating leases are considered by the Board to be high quality tenants and any lease guarantors are of appropriate financial strength. Rent collection dates and statistics are monitored to identify any problems at any early stage, and if necessary rigorous credit control procedures will be applied to facilitate the recovery of rent receivables. The credit risk on cash deposits is limited because the counterparties are banks with credit ratings which are acceptable to the Board and are kept under review each quarter.

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

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

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

Inflation risk arises from the impact of inflation on the Group's income and expenditure. All of the Group's passing rent at 30 June 2020 is subject to inflation linked rent reviews. Consequently, the Group is exposed to movements in the Retail Prices Index ("RPI"), which is the relevant inflation benchmark. However, all RPI-linked rent review provisions provide that rents will only be subject to upwards review and never downwards. As a result, the Group is not exposed to a fall in rent in deflationary conditions.

The following table shows the maturity analysis for financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial instruments, including future interest payments, based on the earliest date on which the Group can be required to pay and assuming that three-month LIBOR remains at the 30 June 2020 rate. Interest rate derivatives are shown at fair value and not at their gross undiscounted amounts.

19. Categories of financial instruments continued

As at 30 June 2020	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000	Total £000
Financial assets:					
Cash and cash equivalents	20,353	–	–	–	20,353
Trade and other receivables	1,629	–	–	–	1,629
Total Financial assets	**21,982**	**–**	**–**	**–**	**21,982**
Financial liabilities:					
Bank borrowings	2,821	5,642	128,660	–	137,123
Trade payables and other payables	5,279	–	–	–	5,279
Interest rate derivatives	–	–	1,988	–	1,988
Total Financial liabilities	**8,100**	**5,642**	**130,648**	**–**	**144,390**

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

Capital risk management

The Board's primary objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its debt covenants so as to safeguard secured assets and avoid financial penalties. Bank borrowings are secured on the Group's property portfolio by way of fixed charges over property assets and over the shares in the property-owning subsidiaries and any intermediary holding companies of those subsidiaries. Covenants associated with the bank borrowings are referred to in note 18. The Group does not provide any cross-group guarantees nor does the Company act as a guarantor to the lending bank.

At 30 June 2020, the capital structure of the Group consisted of bank borrowings (note 18), cash and cash equivalents, and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves referred to in notes 20 and 21).

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

19. Categories of financial instruments continued

Reconciliation of financial liabilities relating to financing activities

	Bank borrowings due in more than one year £000	Interest and commitment fees payable £000	Interest rate derivatives £000	Total £000
At 1 July 2019	**143,708**	**715**	**1,113**	**145,535**
Cashflows:				
Debt drawdowns in the Year	141,510	–	–	141,510
Debt repayments in the Year	(157,744)	–	–	(157,744)
Interest and commitment fees paid	–	(4,282)	–	(4,282)
Loan arrangement fees paid	(1,270)	–	–	(1,270)
Non-cash movements:				
Finance costs in the statement of comprehensive income	587	4,259	57	4,903
Fair value changes	–	–	818	818
At 30 June 2020	**126,791**	**692**	**1,988**	**129,470**

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

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

The interest and commitment fees payable are included within the corporate accruals balance in note 16. Cash flow movements are included in the consolidated statement of cash flows and the non-cash movements are included in note 8. The movements in the interest rate derivative financial asset can be found in note 17.

20. Share capital

	Ordinary shares of 1 pence Number	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Total £000
As at 1 July 2019	**239,833,219**	**2,398**	**203,672**	**14,391**	**220,461**
Ordinary shares issued and fully paid – 7 October 2019	98,039,215	980	99,020	–	100,000
Ordinary shares issued and fully paid – 30 April 2020	135,748,028	1,357	138,463	–	139,820
Share issue costs	–	–	(5,029)	–	(5,029)
Dividends paid in the Year				(14,391)	(14,391)
As at 30 June 2020	**473,620,462**	**4,735**	**436,126**	**–**	**440,861**

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

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

On 7 October 2019 the Company completed an equity fundraising and issued an additional 98,039,215 ordinary shares of one pence each at a price of £1.02 per share. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £96.7 million was credited to the share premium reserve.

On 30 April 2020 the Company completed an equity fundraising and issued an additional 135,748,028 ordinary shares of one pence each at a price of £1.03 per share. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £135.7 million was credited to the share premium reserve.

Ordinary shareholders are entitled to all dividends declared by the Company and to all the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights. The aggregate ordinary shares in issue at 30 June 2020 total was 473.6 million.

21. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2020 are as follows:

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

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

22. Capital commitments

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

23. Operating leases

The Group's principal assets are investment properties which are leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 30 June 2020 is 17.1 years (2019: 18.4 years) and there are no break options. The leases contain either fixed or RPI-linked uplifts.

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

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

24. Net asset value per share

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

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

NAV and EPRA NAV per share calculation are as follows:

	As at 30 June 2020 £000	As at 30 June 2019 £000
Net assets per the consolidated statement of financial position	**477,161**	230,470
Fair value of interest rate derivatives	**1,988**	1,113
EPRA NAV	**479,149**	**231,583**

		Number
Ordinary shares in issue at 30 June	473,620,462	239,833,219
NAV per share – Basic and diluted (pence)	101p	96p
EPRA NAV per share (pence)	101p	97p

25. Transactions with related parties

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

a. Directors

Directors' fees

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

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

Directors' interests

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

- Nick Hewson: 468,525 shares (0.10% of issued share capital)
- Jon Austen: 144,270 shares (0.03% of issued share capital)
- Vince Prior: 76,019 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 19,418 (0.00% of issued share capital)

b. Investment Adviser

Advisory fees

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

The entitlement of the Investment Adviser to advisory fees is by way of what are termed 'Monthly Management Fees' and 'Semi-Annual Management Fees' both of which are calculated by reference to the net asset value of the Group at particular dates, as adjusted for the financial impact of certain investment events and after deducting any un-invested proceeds from share issues up to the date of the calculation of the relevant fee (these adjusted amounts are referred to as 'Adjusted Net Asset Value' for the purpose of calculation of the fees in accordance with the Agreement).

Until the Adjusted Net Value of the Group exceeds £1,000 million, the entitlements to advisory fees can be summarised as follows:

- Monthly Management Fee payable monthly in arrears: 1/12th of 0.7125% per calendar month of Adjusted Net Asset Value up to or equal to £500 million and 1/12th of 0.5625% per calendar month of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million.
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million and 0.09375% of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million.

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

Introducer Services

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

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

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

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

Interest in shares of the Company

Details of the direct and indirect interests of the Directors of the Investment Adviser and their close families in the ordinary shares of one pence each in the Company at 30 June 2020 were as follows:

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

26. Post balance sheet events

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

Registered number: 10799126

	Notes	As at 30 June 2020 £000	As at 30 June 2019 £000
Non-current assets			
Investments in subsidiaries	D	337,256	228,458
Total non-current assets		**337,256**	**222,458**
Current assets			
Trade and other receivables	E	139,023	831
Cash and cash equivalents		3,479	7,531
Total current assets		**142,502**	**8,362**
Total assets		**479,758**	**230,820**
Current liabilities			
Trade and other payables	F	16,942	9,529
Total current liabilities		**16,942**	**9,529**
Total liabilities		**16,942**	**9,529**
Total net assets		**462,816**	**221,291**
Equity			
Share capital	G	4,735	2,398
Share premium reserve		436,126	203,672
Capital reduction reserve		–	14,391
Accumulated Profit		21,955	829
Total equity		**462,816**	**221,291**

The notes on pages 96 to 97 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 profit for the year dealt with the financial statements of the Company was £26,781,000 (2019: 1,175,000). As at 30 June 2020 the Company has distributable reserves of £29.5 million.

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

Nick Hewson
Chairman
17 September 2020

	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Accumulated Profit £000	Total £000
As at 1 July 2019	2,398	203,672	14,391	829	221,291
Profit and total comprehensive Income for the period	–	–	–	26,781	26,781
Transactions with owners					
Ordinary shares issued at a premium during the period	2,337	237,483	–	–	239,820
Share issue costs	–	(5,029)	–	–	(5,029)
Interim dividends paid	–	–	(14,391)	(5,656)	(20,047)
As at 30 June 2020	**4,735**	**436,126**	**–**	**21,955**	**462,816**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Share capital £000	Share premium reserve £000	Capital reduction reserve £000	Accumulated Profit £000	Total £000
As at 1 July 2018	**1,844**	**149,039**	**25,325**	**(346)**	**175,862**
Profit and total comprehensive Income for the period	–	–	–	1,175	1,175
Transactions with owners					
Ordinary shares issued at a premium during the period	555	55,695	–	–	56,250
Share issue costs	–	(1,062)	–	–	(1,062)
Interim dividends paid	–	–	(10,934)	–	(10,934)
As at 30 June 2019	**2,398**	**203,672**	**14,391**	**829**	**221,291**

The notes on pages 96 to 97 form part of these 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 20 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 6 to the Group financial statements.

In the year to 30 June 2021, 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.

C. Auditors' remuneration

The remuneration of the auditors in respect of the audit of the Company's Consolidated and Individual Financial Statements for the Year was £95,000 (2019: £74,000). 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 consolidated 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 and SII UK Halliwell (Midco) Limited, all of which are incorporated and operating in England with a registered address of The Scalpel 18th Floor, 52 Lime Street, London, United Kingdom EC3M 7AF. The full list of subsidiary entities directly and indirectly owned by the Company is disclosed in note 13 to the Consolidated Financial Statements.

The movement in the period was as follows:

	As at 30 June £000
As at 1 July 2019	222,458
Additions	159,086
As at 30 June 2020	**381,544**
Impairments of investments in subsidiaries	**(44,288)**
Closing value per Statement of Financial Position	**337,256**

	As at 30 June £000
As at 1 July 2018	172,466
Additions	84,897
As at 30 June 2019	**257,363**
Impairments of investments in subsidiaries	**(34,905)**
Closing value per Statement of Financial Position	**222,458**

An impairment of investments in subsidiaries was recognised during the year following the payment of an upstream dividend to the Company. Following the payment of the dividend, the net assets of the dividend paying subsidiary no longer supported the carrying value of the Company's investment in that entity and thus an impairment charge was recognised to bring the carrying value of the investment in line with the recoverable amount, which was also considered to be its value in use.

E. Trade and other receivables

	As at 30 June 2020 £000	As at 30 June 2019 £000
Intercompany receivables	136,775	637
Prepayments and accrued income	31	16
Corporation tax receivable	–	–
VAT receivable	297	153
Other receivables	1,920	25
Total trade and other receivables	**139,023**	**831**

The increase in intercompany receivables were led by repayment of the HSBC facility on behalf of indirectly held companies in the group which was financed by equity capital raising in the year.

F. Trade and other payables

	As at 30 June 2020 £000	As at 30 June 2019 £000
Corporate accruals	2,969	768
Intercompany payables	13,973	8,761
Total trade and other payables	**16,942**	**9,529**

G. Share capital

Details of the share capital of the Company are disclosed in note 20 to the Consolidated financial statements.

H. Related party transactions

Details of related party transactions are disclosed in note 25 to the Group financial statements.

Key performance indicators

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

KPI and definition	Performance
Total Shareholder Return for the Period 1 July 2019 to 30 June 2020 Total Shareholder Return is measured by reference to the growth in the Company's share price over a period, plus dividends declared over the same period divided by the share price at the beginning of the financial year.	**12%**
Weighted average unexpired lease term as at 30 June 2020 The average unexpired lease term of the property portfolio, weighted by valuation.	**17 years**
EPRA NAV per share as at 30 June 2020 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.	**101 pence**
Net Loan to value ratio Balance sheet loan amount less cash balances divided by total investment properties valuation.	**20%**
EPRA Cost Ratio Administrative and operating costs divided by gross rental income.	**20%**
Earnings per share (EPS) Earnings attributable to Shareholders adjusted for other earnings not supported by cash flows and calculated in accordance with EPRA guidelines.	**5.0 pence**

Total Shareholder Return

Shareholder return is one of the Group's principal measures of performance. Total Shareholder Return ("TSR") is measured by reference to the growth in the Company's share price over a period, plus dividends. The tables below show the calculation of TSR for the Period.

Total Shareholder Return

	As at 30 June 2020 Pence per share	As at 30 June 2019 Pence per share
Share price at start of the year	**105.0**	102.5
Share price at the end of the year	**111.4**	105.0
Increase in share price	**6.4p**	2.5p
Dividends declared for the year	**5.8p**	5.6p
Increase in share price plus dividends	**12.2p**	8.1p
Share price at start of period	105.0p	**102.5p**
Total Shareholder Return	11.6%	**8.0%**

Net loan to value ratio

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

Net Loan to value

	As at 30 June 2020 £000	As at 30 June 2019 £000
Bank borrowings	126,791	143,708
Less cash and cash equivalents	(20,353)	(9,898)
Net borrowings	106,438	133,810
Investment properties valuation	539,410	368,230
Net Loan to value ratio	**20%**	**36%**

EPRA measures

	As at 30 June 2020 Pence per share	As at 30 June 2019 Pence per share
EPRA NAV Per Share	101p	97p
EPRA Triple Net Asset Value (NNNAV) Per Share	101p	96p

	1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019
EPRA EPS	5.0 pence	5.0 pence
EPRA Net Initial Yield	5.0%	4.9%
EPRA Topped Up Net Initial Yield	5.0%	4.9%
EPRA Vacancy Rate	0%	0%
EPRA Cost Ratio	19.7%	17.9%

Further information on these EPRA measures is included below.

EPRA NAV per share

	£000	As at 30 June 2020 Pence per share
IFRS NAV (note 10)	477,161	101p
Fair value of interest rate derivatives	1,988	0p
EPRA NAV	479,149	101p

EPRA Triple Net Asset Value Per Share

	£000	As at 30 June 2020 Pence per share
EPRA NAV (note 24)	479,149	101p
Fair value of interest rate derivatives	(1,988)	0p
Adjustments to reflect fair value of bank borrowings	(1,869)	0p
EPRA Triple Net Asset Value Per Share	475,292	101p

The EPRA triple NAV is adjusted to reflect the fair values of any debt and hedging instruments, and any inherent tax liabilities not provided for in the financial statements. EPRA NAV Per Share and EPRA Triple Net Asset Value Per Share are calculated on the number of shares in issue at each balance sheet of 473,620,462.

EPRA EPS

For the period from 1 July 2019 to 30 June 2020	Net profit attributable to ordinary shareholders £000	Weighted average number of ordinary shares[1] Number	Earnings per share Pence
Basic and diluted EPS (note 10)	32,763	334,236,233	10.0p
Adjustments to remove:			
Changes in fair value of investment properties	(13,052)	–	(3.9)p
Negative goodwill	(2,960)	–	(1.1)p
EPRA EPS	**16,751**	**334,236,233**	**5.0p**

1 Based on the weighted average number of ordinary shares in issue in the year ending 30 June 2020.

EPRA Net Initial Yield

	As at 30 June 2020 £000	As at 30 June 2019 £000
Wholly owned investment property at external valuation (note 12)	**539,410**	368,230
Allowance for estimated purchasers' costs at 6.8%	**36,680**	25,039
Grossed up completed property portfolio valuation	**576,090**	393,269

	As at 30 June 2020 £000	As at 30 June 2019 £000
Annualised net rents	**28,731**	19,209
EPRA Net Initial Yield	**5.0%**	4.9%

EPRA Topped Up Net Initial Yield

	As at 30 June 2020	As at 30 June 2019
EPRA Topped Up Net Initial Yield	**5.0%**	4.9%

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

EPRA Vacancy Rate

	As at 30 June 2020	As at 30 June 2019
EPRA Vacancy Rate	**0%**	0%

The Group had no vacant property in the Period.

EPRA Cost Ratio

	1 July 2019 to 30 June 2020 £000	1 June 2018 to 30 June 2019 £000
EPRA Gross Rental Income	**26,352**	17,231
Administrative and other expenses (note 5)	**5,184**	3,088
EPRA Costs	**5,184**	3,088
EPRA Cost Ratio inclusive and exclusive of vacant property costs	**19.7%**	17.9%

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

The Group has no capitalized overheads or operating expenses.

New EPRA Measures

EPRA published its latest Best Practices Recommendations in October 2019 which included three New Asset Valuation metrics, namely EPRA Net Reinstatement value (NRV), EPRA Net Tangible assets (NTA) and EPRA Net Disposal Value (NDV). These metrics are effective for periods commencing 1 January 2020 but have been presented below as at 30 June 2020 to provide comparison to the current measures EPRA NAV and EPRA NNNA.

	EPRA NRV As at June 2020 £'000	EPRA NTA As at June 2020 £' 000
EPRA Net asset value	479,149	479,150
Adjustment for:		
Purchasers' costs	36,680	–
Intangibles	–	–
Deferred tax	–	–
	515,829	**479,150**
Per share Measure	**109p**	**101p**

As the Group's EPRA NDV is the same as the EPRA NNNAV there are no reconciling items.

AGM	Annual General Meeting
AIFMD	Alternative Investment Fund Managers Directive
EPRA	European Public Real Estate Association
EPRA EPS	A measure of EPS designed by EPRA to present underlying earning from core operating activities
EPRA Guidance	The EPRA Best Practices Recommendations Guidelines November 2016
EPRA NAV	A measure of NAV designed by EPRA to present the fair value of a company on a long term basis, by excluding items such as interest rate derivatives that are held for long term benefit, net of deferred tax
EPS	Earnings per share, calculated as the profit for the period after tax attributable to members of the parent company divided by the weighted average number of shares in issue in the period
FRI	A lease granted on an FRI basis means that all repairing and insuring obligations are imposed on the tenant, relieving the landlord from all liability for the cost of insurance and repairs
IFRS	International Financial Reporting Standards adopted for use in the European Union
Investment Advisory Agreement	The agreement between the Company and the Investment Adviser, key terms of which are set out on pages 101 to 102 of the IPO Prospectus
IPO	An initial public offering (IPO) refers to the process of offering shares of a corporation to the public in a new stock issuance
LTV	Loan to Value: the outstanding amount of a loan as a percentage of property value
NAV	Net Asset Value
Net Initial Yield	Annualised net rents on investment properties as a percentage of the investment property valuation, less assumed purchaser's costs of 6.8%
Net Loan to Value or Net LTV	LTV calculated on the gross loan amount less cash balances
Omnichannel	Stores offering both instore picking and online fulfilment
REIT	Real Estate Investment Trust
Running yield	The anticipated Net Initial Yield at a future date, taking account of any rent reviews in the intervening period
Total Shareholder Return	The movement in share price over a period plus dividends declared for the same period expressed as a percentage of the share price at the start of the Period
WAULT	Weighted Average Unexpired Lease Term. It is used by property companies as an indicator of the average remaining life of the leases within their portfolios

Directors	**Nick Hewson** (Chairman) **Vince Prior** (Chair of Nomination Committee) **Jon Austen** (Chair of Audit Committee) **Cathryn Vanderspar** (Chair of Remuneration Committee)
Company Secretary	**JTC** The Scalpel 18th Floor, 52 Lime Street London EC3M 7AF
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** 123 Victoria Street London SW1E 6DE
Financial adviser, Broker and Placing Agent	**Stifel Nicolaus Europe Limited** 150 Cheapside London EC2V 6ET
Auditors	**BDO LLP** 55 Baker Street London W1U 7ET
Property Valuers	**Cushman & Wakefield** 125 Old Broad Street London EC2N 1AR
Financial PR Advisers	**FTI** 200 Aldersgate Street London EC1A 4HD
Registrar	**Link Asset Service** The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU Registrar's email address: enquiries@linkgroup.co.uk
Website	www.supermarketincomereit.com
Registered office	The Scalpel 18th Floor, 52 Lime Street London EC3M 7AF
Stock exchange ticker ISIN	**SUPR** GB00BF345X11

Design and production: theteam.co.uk
Print: Westerham Print

SUPR
SUPERMARKET INCOME REIT

Supermarket Income REIT plc
The Scalpel
18th Floor
52 Lime Street
London
EC3M 7AF

www.supermarketincomereit.com