RNS Final Results

AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2023

SUPERMARKET INCOME REIT PLC

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SUPERMARKET INCOME REIT PLC

(the "Group" or the "Company")

AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2023

GROCERY SECTOR STRENGTH UNDERPINS DEMAND FOR MISSION CRITICAL SUPERMARKETS

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

FINANCIAL HIGHLIGHTS

	12 months to 30-June-23	12 months to 30-June-22	Change in Year
Annualised passing rent[1]	£100.6m	£77.6m	+30%
Operating profit[2]	£79.8m	£58.2m	+37%
Adjusted earnings[1,3,4]	£72.4m	£57.4m	+26%
Changes in fair value of investment properties	(£256.1m)	£21.8m	n/a
Dividend per share declared	6.00 pence	5.94 pence	+1%
Adjusted EPS[1,3]	5.8 pence	5.9 pence	-2%
Dividend cover[1,5]	0.97x[5]	1.08x	n/a
	30-June-23	**30-June-22**	**Change in Year**
IFRS net assets	£1,218m	£1,432m	-15%
EPRA NTA[1]	£1,156m	£1,427m	-19%
EPRA NTA per share[1]	93 pence	115 pence	-19%
EPRA LTV[1]	35.2%	22.2%	n/a
Direct Portfolio net initial yield[1]	5.6%	4.6%	n/a

Resilient financial performance with strong income growth

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

Grocery sector strength and resilience driving elevated property investment volumes

- UK grocery market grew 11% during the period[6]
- 30% increase in UK grocery market since IPO to £242 billion[7]
- Supermarket store revenues growing much faster than rents, improving affordability and rental values
- UK supermarket property investment volumes exceeded £1.7 billion during the year[8]

Active portfolio management - accretive asset sales and capital recycling

- Sale of interest in 21 supermarket properties held in the SRP at a NIY of 4.3%[9] and a total consideration of £430.9 million[10], delivering a:
  - 30% IRR
  - 1.9x money-on-money multiple
- Purchase of eleven supermarket properties at a NIY of 5.5%[11] for a total consideration of £399.0 million

High-quality portfolio of mission critical supermarkets[12]

- Future-proofed portfolio of omnichannel stores
- Capturing elevated online grocery demand, which is up +80% since 2019[13]
- 14 years weighted average unexpired lease term ("WAULT")
- Strong performing tenant covenants; 77% of income from Sainsbury's and Tesco
- 78% of rental income is inflation-linked, subject to caps of 4% per annum on average

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

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

Strong balance sheet with 100% of drawn debt hedged

- Fitch Ratings Limited ("Fitch") investment grade credit rating of BBB+ reaffirmed in February 2023
- Total debt further reduced post balance sheet with current LTV of 34%
- Refinancing of facilities during the year and post balance sheet extending weighted average debt maturity by 12 months to four years[14] (30 June 2022: four years)
- Unsecured debt increased to 61% of debt commitments (30 June 2022: Nil)
- 100% of drawn debt hedged and interest rate hedging extended by 12 months:
  - Weighted average finance cost fixed at 3.1% (30 June 2022: 2.6%)
  - Existing in-the-money hedges restructured to extend hedge term at zero net upfront cost

Continued progress on sustainability and governance programme

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

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

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

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

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

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

For further information:

FOR FURTHER INFORMATION

Atrato Capital Limited	+44 (0)20 3790 8087
Steven Noble / Rob Abraham / Chris McMahon	ir@atratocapital.com
Stifel Nicolaus Europe Limited	+44 (0)20 7710 7600
Mark Young / Matt Blawat / Rajpal Padam	
Goldman Sachs International	+44 (0)20 7774 1000
Jimmy Bastock / Tom Hartley	
FTI Consulting	+44 (0)20 3727 1000
Dido Laurimore / Eve Kirmatzis / Andrew Davis	SupermarketIncomeREIT@fticonsulting.com

The Company will be holding an in-person presentation for analysts at 08.30am today at FTI Consulting's offices, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. To register to attend in-person, please contact FTI Consulting: SupermarketIncomeREIT@fticonsulting.com. There will also be a webcast available. To join the presentation via the webcast, please register using the following link: https://brrmedia.news/SUPR_FY23

NOTES TO EDITORS:

Supermarket Income REIT plc (LSE: SUPR) is a real estate investment trust dedicated to investing in grocery properties which are an essential part of the UK's feed the nation infrastructure. The Company focuses on grocery stores which are omnichannel, fulfilling online and in-person sales. All of the Company's supermarkets are let to leading UK supermarket operators, diversified by both tenant and geography.

The Company provides investors with attractive, long-dated, secure, inflation-linked, growing income with the potential for capital appreciation over the longer term[(1)].

The Company is listed on the premium segment of the Official List of the UK Financial Conduct Authority and its Ordinary Shares are traded on the Main Market of the London Stock Exchange, having listed initially on the Specialist Fund Segment of the Main Market on 21 July 2017.

Atrato Capital Limited is the Company's Investment Adviser.

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

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1. There is no certainty that these illustrative projections will be achieved

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CHAIR'S STATEMENT

Dear Shareholder,

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

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

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

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

The property market experienced an initial rapid repricing to December 2022. We have since observed a stabilisation of pricing in recent transactions and our 30 June 2023 valuations are essentially flat to our last reported valuation as at 31 December 2022. It is also noteworthy that we have seen significant investment volumes in UK supermarket property which have exceeded £1.7 billion[15]. This total includes £483 million of leasehold store buybacks by operators; a unique feature of the grocery real estate market. This elevated interest in grocery property highlights the positive long-term outlook for the sector. We are cautiously optimistic on the outlook for supermarket property valuations, though we recognise the general correlation of these values to Bank of England policy and interest rate movements.

The Company owns and manages a unique and high-quality portfolio of mission critical omnichannel supermarkets. Our sector specialism and information advantage allow us to identify and deliver value through actively managing the portfolio. During the year, our tenant Sainsbury's purchased our interest in the Sainsbury's Reversion Portfolio ("SRP") Joint Venture ("JV"), buying back 21 stores at a 4.3% Net Initial Yield ("NIY"), for which the Company received proceeds of £430.9 million. The proceeds from these disposals, received during the year and post balance sheet, were recycled into higher-yielding acquisitions[16] that met our strict investment criteria, and utilised to pay down debt. As a result, drawn debt has reduced from £672.2 million in June 2023, to £584.8 million today. During the year we acquired nine stores and a further two shortly after year end for a combined total consideration of £399.0 million at an average NIY of 5.5%.

We continue to focus on maintaining balance sheet strength and at year end our European Public Real Estate ("EPRA") Loan to Value ("LTV") was 35%, which has further reduced post year end, following the further receipt of monies from the sale of the SRP interest. Our debt is provided by a well diversified group of relationship banks. Post the year end, we have expanded our banking group and extended the term of our debt facilities to in excess of four years[17]. We also took the prudent decision to fix the cost of 100% of our drawn debt. All our borrowings are either fixed rate or hedged to a fixed rate via interest rate derivatives with an average cost of debt of 3.1%.

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

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

Responsible Investment ("UNPRI"). At the asset level we are working with our tenants on initiatives such as the installation of solar photovoltaic ("PV") panels and electric vehicle charging to further enhance the Company's sustainability performance.

Outlook

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

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

Nick Hewson
Chair
19 September 2023

A CONVERSATION WITH JUSTIN KING ABOUT THE FUTURE OF THE UK GROCERY SECTOR

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

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

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

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

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

We are seeing clear evidence that the operators have not 'passed through' to consumers all the cost increases that they have incurred as evidenced from falling operating margins from 3.2% to around 1.8% on average[18]. It is worth noting that a grocer's power to implement price rises is less than many people think, as the sector's intense competitiveness drives low margins and high operational efficiencies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to a recent report from Cushman & Wakefield, 26% of global green-house gas emissions are attributable to the food supply chain with around 83% derived from production[20]. The supermarket operators are therefore naturally placed to centralise and coordinate this drive towards the decarbonisation of the wider food supply chain.

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

In fact, Sainsbury's has now reduced its absolute greenhouse gas ("GHG") emissions within its operations to 461,692 tCO_2e, a reduction of 38% year-on-year and 51% per cent from its 2019 baseline, keeping it on course to achieve its 2035 Net Zero target[21]. It's also encouraging to see the grocery industry taking a lead in implementing substantive governance frameworks around reporting progress against these vitally important sustainability objectives too.

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

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

KEY PERFORMANCE INDICATORS

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

KPI	Definition	Performance[22]
1. Total Shareholder Return	Total shareholder return ("TSR") is one of the Group's principal measures of performance.	(34%) for the year to 30 June 2023 (31 December

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

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

Adjusted earnings[23] is a performance measure used by the Board to assess the Group's financial performance and dividend payments. The metric adjusts EPRA earnings by deducting one-off items such as debt restructuring costs and the Joint Venture acquisition loan arrangement fee which are non-recurring in nature and adding back finance income on derivatives held at fair value through profit and loss. Adjusted Earnings is considered a better reflection of the measure over which the Board assesses the Group's trading performance and dividend cover.

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

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

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

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

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

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

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

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

EPRA PERFORMANCE INDICATORS

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

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

Measure	Definition	Performance[24]
1. EPRA EPS	A measure of EPS designed by EPRA to present underlying earnings from core operating activities.	4.6 pence per share for the year ended 30 June 2023 (31 December 2022: 2.6p, 30 June 2022: 5.9p)
2. EPRA Net Reinstatement Value (NRV) per share	An EPRA NAV per share metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	103 pence per share as at 30 June 2023 (31 December 2022: 102p, June 2022: 124p)
3. EPRA Net Tangible Assets (NTA) per share	An EPRA NAV per share metric which assumes entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.	93 pence per share as at 30 June 2023 (31 December 2022: 92p, 30 June 2022: 115p)
4. EPRA Net Disposal Value (NDV) per share	An EPRA NAV per share metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other	98 pence per share as at 30 June 2023 (31 December 2022: 97p, 30 June 2022: 116p)

	adjustments are calculated to the full extent of their liability, net of any resulting tax.	
5. EPRA Net Initial Yield (NIY) & EPRA "Topped-Up" Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. The "topped-up" yield is the same as the standard measure as we do not have material adjustments for any rent-free periods or other lease incentives.	5.5% as at 30 June 2023 (31 December 2022: 5.3%, 30 June 2022: 4.6%)
6. EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	0.4% as at 30 June 2023 (31 December 2022: 0.5%, 30 June 2022: 0.2%)
7. EPRA Cost Ratio (Including direct vacancy costs)	Administrative & operating costs (including costs of direct vacancy) divided by gross rental income.	15.5% for the year ended 30 June 2023 (31 December 2022: 16.7%, 30 June 2022: 16.5%)
8. EPRA Cost Ratio (Excluding direct vacancy costs)	Administrative & operating costs (excluding costs of direct vacancy) divided by gross rental income.	15.2% for the year ended 30 June 2023 (31 December 2022: 16.5%, 30 June 2022: 16.4%)
9. EPRA LTV	Net debt divided by total property portfolio and other eligible assets.	35.2% as at 30 June 2023 (31 December 2022: 40.2%, 30 June 2022: 22.2%)
10. EPRA Like-for-like rental growth*	Changes in net rental income for those properties held for the duration of both the current and comparative reporting period.	Rental increase of 2.7% for the year ended 30 June 2023
11. EPRA Capital Expenditure*	Amounts spent for the purchase of investment properties (including any capitalised transaction costs). There has been no other capital expenditure incurred in relation to the investment property portfolio.	£377.3 million for the year ended 30 June 2023 (31 December 2022: £310.2 million, 30 June 2022: £388.7 million)

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

INVESTMENT ADVISER'S INTERVIEW

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

FUND REPORT

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

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

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

On a relative basis, markets generally expect supermarket property to be less volatile than broader property markets given the defensive nature of the underlying grocery sector. This has again played out during this cycle with SUPR's high-quality asset valuation down 13.7% during the year compared to broader UK commercial property valuations which are down 19%[25].

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

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

Our key tenants, Tesco and Sainsbury's, have reported sales growth of around 10% in their latest figures[26]. This growth has been generated on a like-for-like basis given there has been no net new floor space for large multi-channel operators. This sales growth is running ahead of contractual rental increases, meaning that rents are becoming even more affordable for operators.

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

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

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

We utilised these proceeds to pay down debt reducing EPRA LTV from 40.2% to 35.2%. The Company's LTV was further reduced post balance sheet and currently stands at 34.0%. The Company has also been opportunistically deploying into new acquisitions at attractive net initial yields. In total we have deployed £399 million during the year including two properties since the year end at an accretive net initial yield of 5.5%[27]. This included four omnichannel stores from the Sainsbury's Reversion Portfolio. This recycling of capital into higher-yielding assets that met our strict investment criteria has helped offset some of the increase financing costs incurred as a result of higher interest rates.

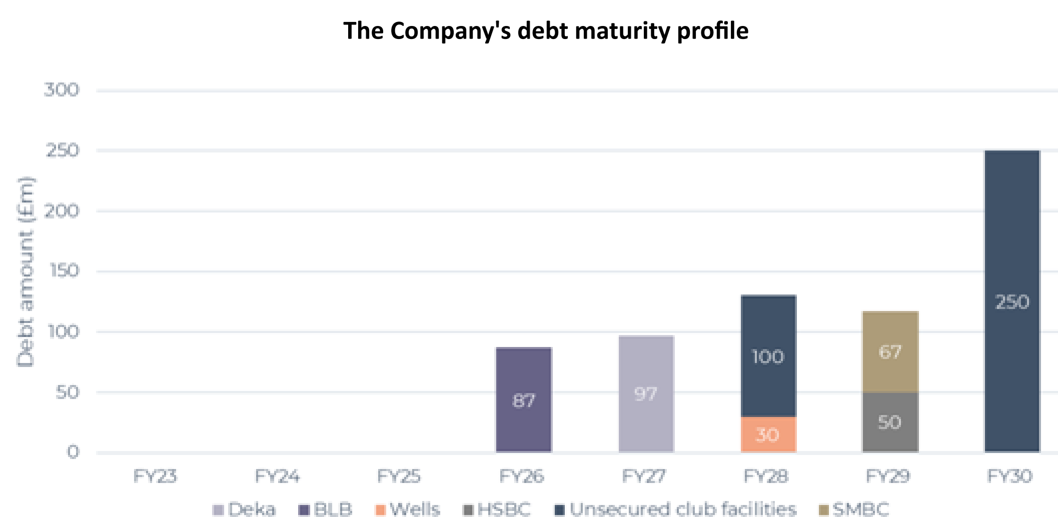
Q: How has SUPR's financing strategy changed in response to these macroeconomic challenges?

We and the Board considered it prudent to repay debt to reduce the Company's LTV post balance sheet to 34.0%, utilising the second tranche of the SRP proceeds and taking a number of actions to manage debt maturities and hedging post year end. We also extended the term of our debt by 12 months, maintaining a weighted average debt maturity of over 4 years[28], whilst also broadened our banking group. Further, we conducted a 'blend and extend' hedge restructure, utilising the significant profit on the pre-existing hedge arrangements to extend the term of the hedges by 12 months[28]. As a result of this treasury management exercise, SUPR's cost of debt is now fixed at an average rate of 3.1%.

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

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

The Company's debt maturity profile



SUPR has covenant headroom across its debt facilities along with over £100 million of undrawn debt capacity. The Company is well positioned and importantly, retains additional capital capacity to be acquisitive if compelling opportunistic investment propositions arise[29].

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

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

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

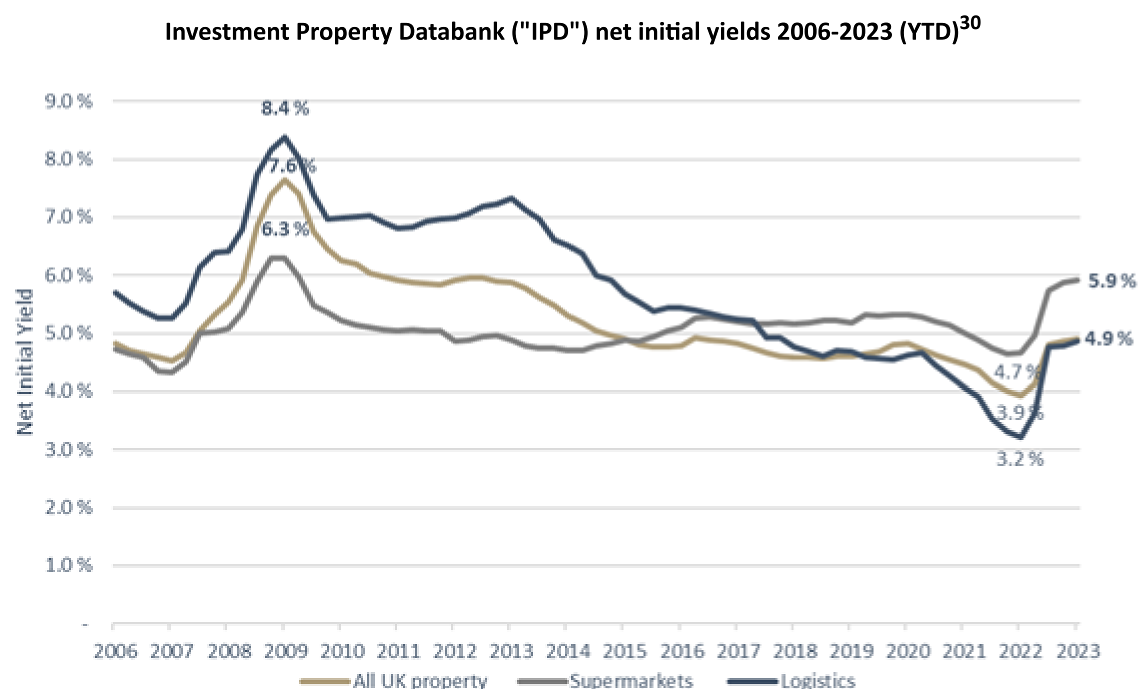
Recent transactional evidence would imply that peak cycle yields in supermarket property may well be behind us, and further, that yields on high-quality omnichannel stores are actually starting to tighten. However, we remain acutely aware that a long-term yield tightening trend can only occur once the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

INVESTMENT MARKET

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

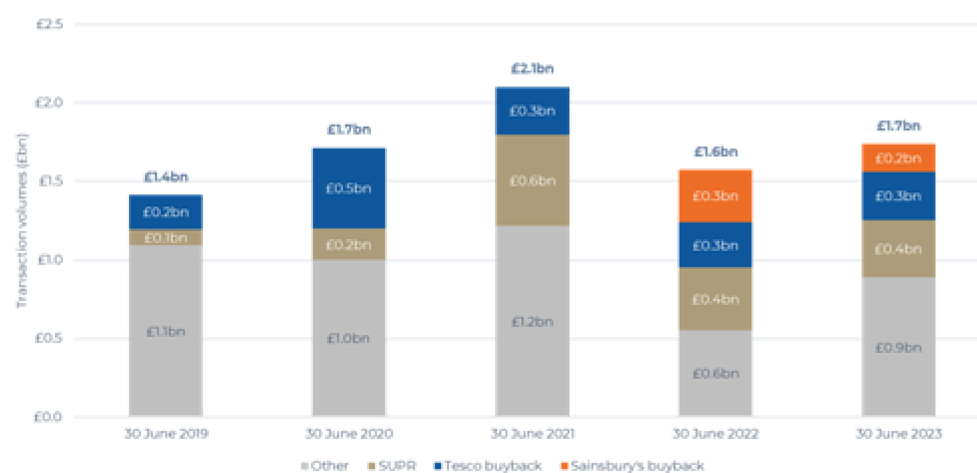
Higher interest rates as a policy response to inflation have driven a rapid repricing of commercial real estate assets and supermarkets have not been immune. However, this now means that supermarkets are in our view one of the most attractive asset classes in commercial real estate.

Investment Property Databank ("IPD") net initial yields 2006-2023 (YTD)[30]



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

Supermarket investment volumes FY 2019 - 2023[31]



Firstly, value oriented, levered purchasers are targeting higher yielding opportunities at c. 7% NIY. These value players are opportunistically targeting Asda and Morrisons stores, buying at historically wide yields due to weaker levered covenants and in some cases weak store trading. Secondly there are buyers of high-quality supermarkets at yields of c. 5%, which is more closely aligned with the type of assets in the SUPR portfolio. These assets are typically let to the strong covenants of Sainsbury's and Tesco on long leases. Buyers are looking to the attractive returns that can be achieved, with current valuations representing a significant value opportunity in our view. This is particularly the case as higher inflation arguably supports higher market rental growth.

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

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

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

The more highly levered operators, Asda and Morrisons, have demonstrated appetite for SLBs. This is likely to continue as an attractive source of finance compared to the prospective cost of leveraged finance in the current environment, given peak leverage for Asda of c. 7x and for Morrisons c. 9x[32]. Asda is expected to use the £650 million proceeds of its SLB at a 6.4% NIY to fund part of the cost of acquiring EG Group. The cost of the SLB compared favourably to the debt leverage for the acquisition provided by Apollo which was priced at c. 11%.

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

On the other hand, we have seen Tesco and Sainsbury's utilising free cashflow generation for store buybacks, alongside bond repurchases to de-lever their balance sheets. They have balanced this with returning cash to shareholders through share buybacks. Since SUPR's IPO in 2017, Tesco has increased the proportion of its store ownership from 52% to 58%[33]. The most notable recent example of operator store buybacks was the sale to Sainsbury's of SUPR's interest in the Sainsbury's Reversion Portfolio, with the portfolio of 21 stores acquired by Sainsbury's valued at over £1 billion.

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

PORTFOLIO

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

We have progressed plans to develop complementary retail units at a number of our larger sites[34]. We are negotiating terms to develop discount food stores of c. 20,000 sq.ft. alongside our strong performing existing supermarkets. Such development can drive additional footfall, making a more appealing grocery destination to consumers and increasing total grocery spend at the site.

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

THE COMPANY'S PORTFOLIO

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

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

The leases on our stores benefit from long, unexpired lease terms with predominately upwards only, index linked rent reviews, helping to provide long-term income with contractual rental growth. The portfolio benefits from affordable rents. Our Direct Portfolio average rent to turnover ("RTO") is 3.8%[35] compared to a sector benchmark RTO of 4.0%. We have high security of income with 100% rent collection during the year.

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

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

The Company disposed of its joint venture interest in the SRP for a combined total of £430.9[36] million. The consideration was based on a blended net initial yield of 4.3% for the underlying stores. There is further information on the SRP investment on page 29.

During the year, the Company selectively strengthened its Direct Portfolio with the addition of nine supermarkets for a combined total of £362.6 million[37] at eleven different locations, including a further two after the year end.

- **July 2022:** A Tesco superstore and M&S Foodhall in Chineham, Basingstoke, including non-grocery units for £71.9 million[37]. The Tesco superstore had a 12-year unexpired lease term and is subject to 5-yearly, upwards only open market rent reviews.
- **August 2022:** A Sainsbury's supermarket and M&S Foodhall in Glasgow with non-grocery units for £34.5 million[37]. The unexpired lease terms of the two stores were 10 and 15 years respectively and both are subject to 5-yearly upwards only, open market rent reviews.
- **August 2022**: A Tesco supermarket in Newton-le-Willows, Merseyside, for £16.6 million[37]. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.
- **August 2022**: A Tesco in Bishops Cleeve, Cheltenham, for £25.4 million[37]. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.
- **eptember 2022:** A Tesco supermarket in Llanelli, South Wales, for £66.8 million[37]. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.
- **September 2022:** A Tesco supermarket, Iceland Food Warehouse and complementary non-grocery units in Bradley Stoke, Bristol, for £84.0 million[37]. The Tesco store had a 14-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.
- **April 2023:** A Tesco in Worcester, for £38.3 million[37]. The store had a 12-year unexpired lease term and is subject to annual, upwards only RPI-linked rent reviews.

- **May 2023:** A Sainsbury's in Kettering, for £12.0 million[37]. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.
- **May 2023:** A Sainsbury's in Denton, for £13.2 million[37]. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

Post balance sheet, following the receipt of the second tranche of SRP disposal proceeds the Company announced that it had acquired a further two supermarkets from Sainsbury's that were previously held within the SRP for a purchase price of £36.4 million[38].

- **July 2023:** A Sainsbury's in Gloucester, for £17.4 million[38]. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.
- **July 2023:** A Sainsbury's in Derby, for £19.0 million[38]. The store has a 10-year unexpired lease term and is subject to 5-yearly upwards only, open market rent reviews.

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

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

Tenant exposure:

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

*Including post balance sheet events

The strength of the Direct Portfolio is underpinned by long-term, secure income with a weighted average unexpired lease term of 13 years[39]. In addition, our portfolio is heavily weighted towards upwards only inflation-linked rent reviews which provide protection in the current inflationary environment and help to reduce the impact of rising debt costs. The Direct Portfolio's weighting towards upwards only, inflation-linked rent reviews is 78% with 54% reviewing annually (including post balance sheet acquisitions).

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

*Including post balance sheet events

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

*Including post balance sheet events

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

Supermarket EPC breakdown

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

*Including post balance sheet events

Portfolio case studies:

1) **Tesco, Bishop's Cleeve**

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

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

2) Tesco, Llanelli

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

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

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

3) Tesco, Worcester

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

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

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

Sainsbury's Reversion Portfolio

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

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

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

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

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

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

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

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

Portfolio valuation

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

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

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

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

benefit from contractual rental uplifts, with 78% linked to inflation and 2% with fixed uplifts.

THE UK GROCERY MARKET

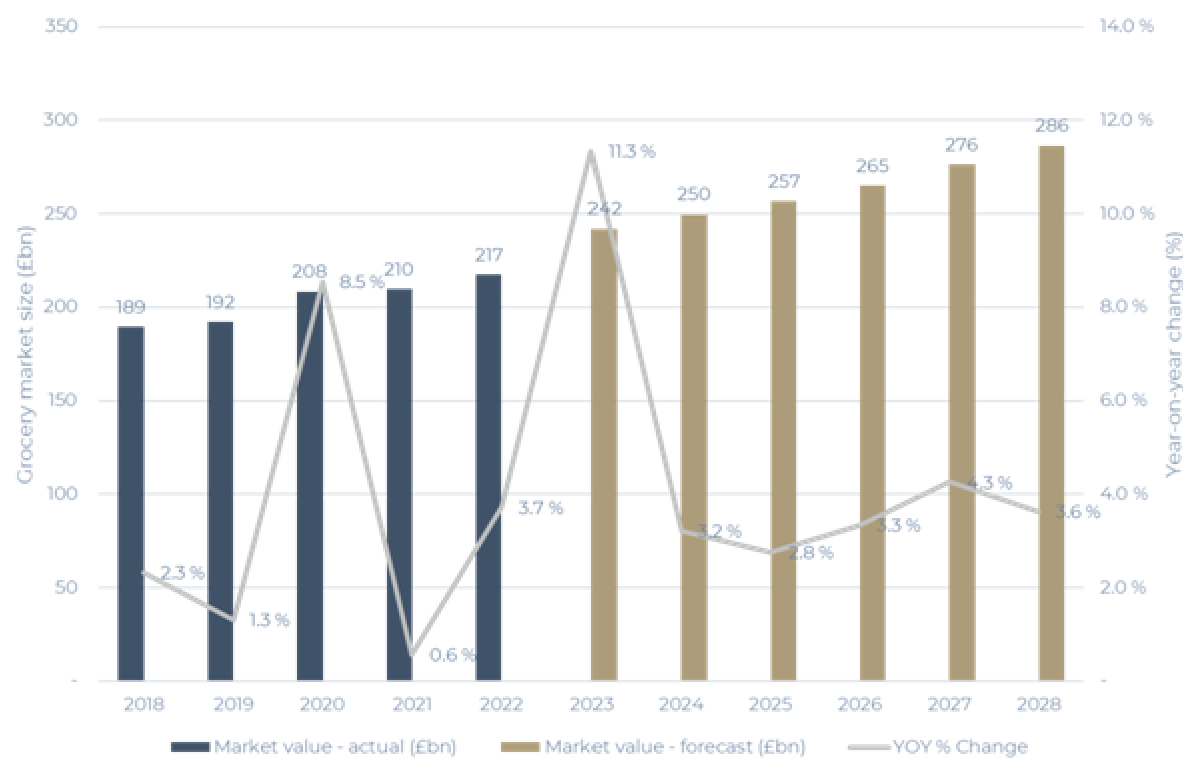
Atrato Capital Limited is the Investment Adviser to the Company. Steven Noble (Chief Investment Officer of Atrato Capital) discusses the UK grocery market and the outlook for real estate investment in the sector.

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

The grocery market has demonstrated its defensive characteristics yet again over the last few years. Total UK grocery market sales are up 11% in the year, with the total UK grocery market now expected to generate over £240 billion in annual sales in 2023[40].

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

IGD UK Grocery Market Value 2018 - 2028 (forecast)



Grocery is non-discretionary expenditure which accounts for 14%[41] of household spending. The change in consumer behaviour towards a greater proportion of time spent working from home and the increased market penetration of online grocery has resulted in a long-term structural shift in grocery demand. This has been achieved against a very turbulent five-year period for the wider UK economy which includes Covid lockdowns, supply disruptions, the Ukraine war, inflation and a sharp increase in interest rates.

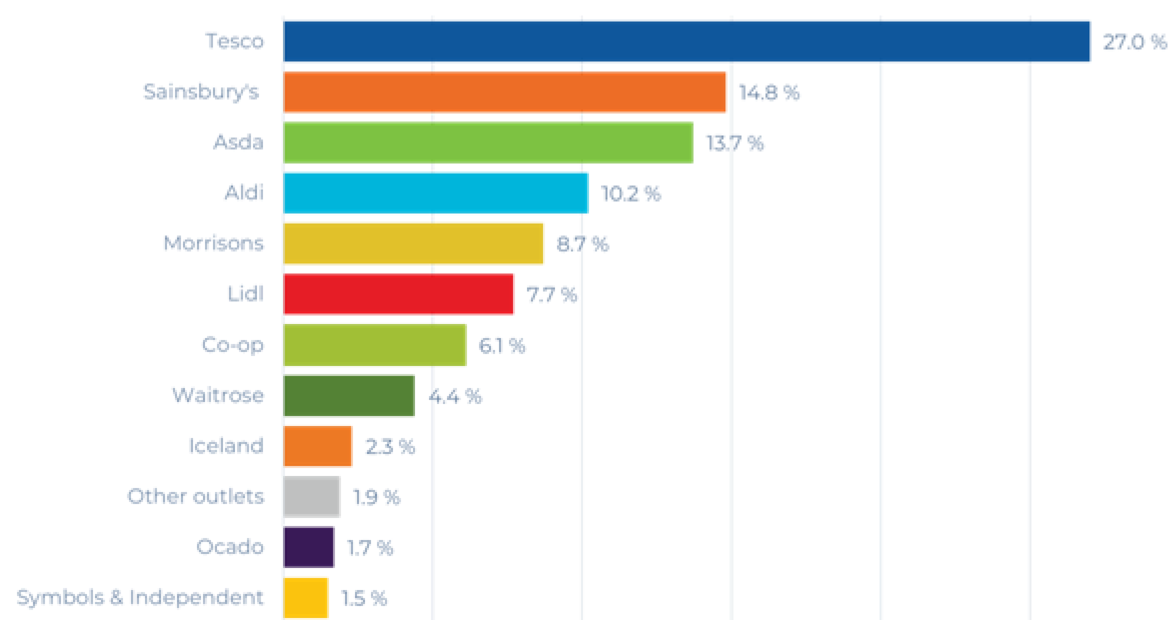
This long-term growth has been driving record flows of investment into the sector from a broad range of institutional investors, including the £14 billion of net investment from the sale of Asda in 2021 and Morrisons in 2022. This year there has also been £1.7 billion[42] of capital investment into the supermarket property sector from investors looking for assets that offer consistent returns, underpinned by solid corporate covenants and low rent to turnover ratios.

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

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

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

Kantar Worldpanel June 2023 - UK grocery market share by operator



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

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

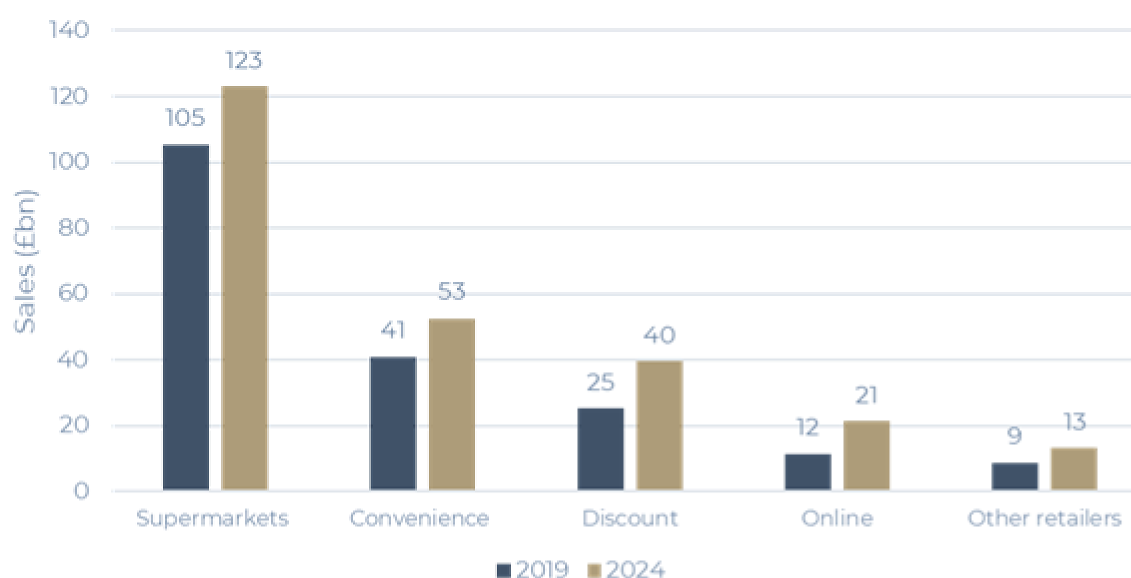
The second largest group of operators is the lower-price grocery operators ("Discounters") such as Aldi and Lidl. They have grown through ambitious new store opening programmes which have captured a combined market share of 18%. However recent significant increases in construction costs are expected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

This discount market remains highly competitive and the sector typically operates a lower net profit margins of between 1% to 2%. These fine margins mean that the Discounters are inflating prices quicker than other operators, having peaked at 26% compared to 15% for Tesco and Sainsbury's[43]. Therefore, we see an element of market share gain coming simply through higher prices.

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

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

Institute of Grocery Distribution ("IGD") UK Grocery Channel forecasts



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

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

Larger supermarkets with in-store pick capacity have been well positioned to fulfil this growth with over 80%[44] of online grocery sales estimated to now be fulfilled from these omnichannel stores. At the extreme, our research has shown that the turnover of some individual omnichannel grocery stores is now 50% online and 50% physical shopping, and a 25%:75% split is not uncommon.

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

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

Q: What is a typical supermarket lease structure?

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

An open market review means that the rent is adjusted (usually upwards only) to reflect the rent the landlord could achieve on a letting in the open market. Such rent reviews take place either annually or every five years, with the rent review delivering an increase in the rent at the growth rate, compounded over the period.

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

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

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

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

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

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

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

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

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

FINANCIAL OVERVIEW

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

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

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

Net financing costs for the year were £24.7 million (30 June 2022: £13.0 million). The increase in net financing costs reflects higher leverage in the period, with the weighted average debt for the year being £672.3 million (30 June 2022: £491.4 million). The Company fixed 100% of its drawn debt during the year which provided security during a time of significant interest rate volatility (see financing and hedging section below). Subsequent to the year end, the Company completed a debt refinancing exercise, maintaining its weighted average maturity of debt to just over four years[45]. At the same time the Company extended the term of its hedging by 12 months, fixing 100% of the Company's drawn debt at a weighted average cost of debt of 3.1%.

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

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

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

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

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

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

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

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

The Group is a qualifying UK Real Estate Investment Trust ("REIT") which exempts the Group's property rental business from UK Corporation Tax[46].

Financing and hedging

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

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

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

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

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

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

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

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

Lender	Facility	Maturity	Extended Maturity*	Margin	Sonia/swap rate**	Loan commitment (30-June-23) £m	Amount drawn (30-June-23) £m
Barclays and RBC	Revolving Credit Facility	Jan-24	Jan-26	1.50%	SONIA	77.5	-
Bayerische Landesbank	Term Loan	Mar-26	Mar-26	1.65%	2.64%	86.9	86.9
Deka Bank	Term loan	Aug-24	Aug-26	1.35%	0.54%	47.6	47.6

Deka Bank	Term loan	Aug-24	Aug-26	1.35%	0.70%	28.9	28.9
Deka Bank	Term loan	Aug-24	Aug-26	1.40%	0.32%	20.0	20.0
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.65%	1.12%	96.5	78.1
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.65%	SONIA	3.5	-
HSBC	Revolving Credit Facility	Aug-24	Aug-25	1.75%	SONIA	50.0	-
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	0.19%	30.0	30.0
Wells Fargo	Revolving Credit Facility	Jul-25	Jul-27	2.00%	SONIA	9.0	0.0
Unsecured Syndicate	Revolving Credit Facility	Jul-27	Jul-29	1.50%	1.34%	250.0	218.5
Unsecured Syndicate	Term Loan	Jul-25	Jul-27	1.50%	1.34%	100.0	100.0
Unsecured Syndicate	Term Loan	Jan-24	Jan-25	1.50%	1.34%	62.1	62.1
Total						**862.1**	**672.1**

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

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

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

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

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

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

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

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

Dividends

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

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

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

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

Atrato Capital Limited
Investment Adviser
19 September 2023

ESG Statement

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

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

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

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

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

Streamlined Energy and Carbon Reporting ("SECR")

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

Reporting year	**Current reporting year: 1st July 2022 - 30th June 2023**
Location	UK
Emissions from the combustion of fuel and operation of facilities (tCO_2e) (Scope 1)	10
Emissions from purchase of electricity (location-based) (tCO_2e) (Scope 2)	101
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO_2e) (Scope 3)[47]	N/A
Voluntary: Emissions from Fuel and Energy related activity (tCO_2e) (Scope 3)	37
Voluntary: Emissions from Purchased Goods and Services (tCO_2e) (Scope 3)	3,132
Voluntary: Emissions from Capital Goods (tCO_2e) (Scope 3)	463
Voluntary: Emissions from Downstream Leased Assets (tCO_2e) (Scope 3)	77,274
Total gross emissions based on the above (tCO_2e)[48]	**81,017**
Energy consumption used to calculate Scope 1 emissions (kWh)	606,629
Energy consumption used to calculate Scope 2 emissions (kWh)	521,321
Energy consumption used to calculate Scope 3 emissions (kWh)[49]	186,704,059
Total energy consumption based on above (kWh)	**187,832,009**
Intensity ratio: tCO_2e (gross Scope 1 + 2) per m^2 of floor area	0.00045
Intensity ratio: tCO_2e (gross Scope 1, 2 + 3) per m^2 of floor area	0.13

Methodology

The 2022/23 SECR footprint is equivalent to 81,017 tCO_2e, with the largest portion being made up of emissions from downstream leased assets at 77,273 tCO_2e.

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

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

Scope 3 emissions have been calculated for relevant material categories using consumption data, spend data, floor area and EPC data. Fuel and Energy related activities includes well-to-tank ("WTT") and transmission and distribution ("T&D") upstream emissions from Scope 1&2. For Purchased Goods and Services, Environmentally Extended Input Output ("EEIO") has been used. Spend data was provided per supplier by the Company's Finance team and mapped to 2022 DEFRA

Input/Output ("IO") categories. Embodied emissions from two newly built sites were estimated for Capital Goods, based on LETI factors. Where actual data was not available for Downstream Leased Assets, a combination of CIBSE benchmarks were used against EPC data on energy use and heating type. Publicly available air conditioning ("AC") certificates were used to determine the type and amount of refrigerants, where this was not available other similar sites were used as proxies. As per EPA data, the size of the air conditioning equipment used was dependent on the amount of refrigerant used and the floor area. Supermarket refrigeration and non-food air conditioning was estimated using an intensity estimate from EPA data as no activity data was available. Refrigerant loss rate for refrigeration was taken from Direct Emissions from Use of Refrigeration, Air Conditioning Equipment and Heat Pumps from DEFRA.

Energy Efficiency Action

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

Taskforce on Climate-Related Financial Disclosures (TCFD)

Introduction

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

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

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

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

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

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

TCFD Category	TCFD Recommendation	2023 TCFD compliance	Future planned improvements
Governance	Describe how the board exercises oversight of climate-related risks and opportunities.	Consistent - see Governance section	N/A
	Describe management's role in assessing and managing climate-related risks and opportunities.	Consistent - see Governance section	N/A
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	Consistent - see Strategy section	Expand upon risk and opportunity identification processes to include engagement with tenants. **Ongoing process 2024**
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Consistent - see Table 2	Refine and publish quantitative, financial impacts. **To be completed by Q1 2024**
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Consistent - see Strategy section	Build upon the Science Based Target (SBT) road map into a more detailed Climate Transition Plan. **Q2 2024**
Risk Management	Describe the organisation's processes for identifying and assessing climate-related risks.	Consistent - see Risk Management section	Expand on climate risk and opportunity identification. **Q2 2024**
	Describe the organisation's processes for managing climate-related risks.	Consistent - see Risk Management section	Formalise climate-related communication channels with tenants. **Q2 2024**
	Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organisation's overall risk management.	Consistent - see Risk Management section	N/A
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in	Consistent - see Metrics and Targets - Table 3	N/A

TCFD Category	TCFD Recommendation	2023 TCFD compliance	Future planned improvements
	line with its strategy and risk management process.		
	Disclose Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.	Consistent- see Greenhouse Gas Emissions section	N/A
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Consistent- see Metrics and Targets section	Work is currently ongoing to model emissions reductions, develop a roadmap to reduce those emissions and submit a target to the Science Based Targets initiative (SBTi). **Q4 2023**

Governance

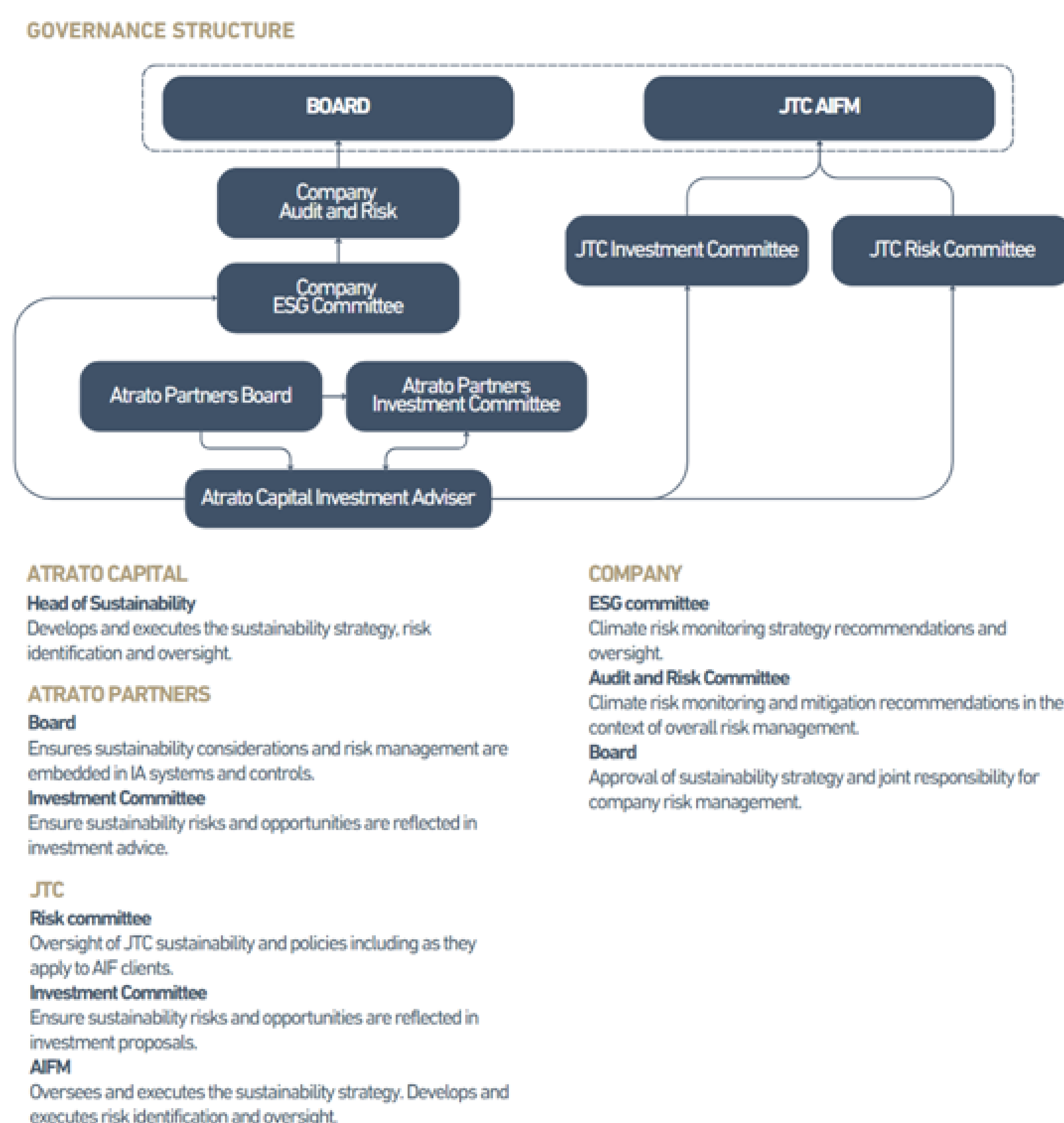
Describe how the board exercises oversight of climate-related risks and opportunities:

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

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

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

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



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

Investment Adviser

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

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

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

Reporting - The Investment Adviser has reviewed its reporting obligations to the Company over the year. With the introduction of the ESG Committee, key topics such as strategic developments, occupational health and safety events, and

potentially material adverse impacts will be reported under a more consistent framework.

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

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

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

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

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

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

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

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

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

Strategy

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

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

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

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

For this reporting period, a first stage risk screening was conducted to identify and assess the impact of the Company's climate-related transition and physical risks, as well as corresponding opportunities. Relevant and potentially material risks and opportunities were identified through a review of existing risk assessments and consultation with the Investment Adviser. These risks were given a 'First Stage Rating', based on the judgement of the Investment Advisers, to enable the higher priority risks to be taken forward for a more detailed review.

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

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

Risk description	Scenario [a]	Impact[b]	Likelihood[I]	Overall Rating[d] by Time Horizon		
				Short (2023-2030)	Medium (2030-2039)	Long (2040-2050)
Physical Risk - Flooding (Acute & Chronic): Increased insurance premiums and increased capital expenditure required on adaptative or remediation measures.	First Stage Rating	Higher	Higher	Moderate	Higher	Higher
	Below 2°C Scenario	Moderate	Higher	Moderate	Moderate	Moderate
	Above 4°C Scenario	Moderate	Higher	Moderate	Moderate	Moderate
Physical Risk - Extreme Heat (Acute): Increasing operating costs for tenants through increased energy demand required for cooling; supply chain disruption, stock damage	First Stage Rating	Moderate	Higher	Moderate	Higher	Higher
	Below 2°C Scenario	Moderate	Lower	Lower	Lower	Lower

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

Notes:

(a) The IPPC Atlas' *RCP2.6* scenario and the NGFS's *Net Zero 2050* scenario are assumed to represent "Below 2°C scenarios" for physical and transition risks respectively. Above 4°C scenarios were included voluntarily for prudent, comparative purposes, and are based on the IPPC Atlas' *RCP8.5* scenario and the NGFS's *Current Policies* scenarios for physical and transition risks respectively.

(b) Impact represents assumed, inherent financial exposure and/or vulnerability of the Company.

(c) Likelihood represents the probability and/or frequency of occurrence. (d) Overall Rating represents the product of Impact and Likelihood.

(d) First Stage ratings were based on initial internal discussions and comparison with peer organisations. The top three risk types with relatively higher ratings for impact and likelihood were then taken forward for more detailed scenario analysis in 2023. Please see Appendix A for further details on the methodology.

(e) Subsidence was not selected to be included in scenario analysis this year, but it was identified as a climate risk alongside Flooding and Extreme Heat.

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

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

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

specific activities, such as:

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

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

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

Asset Management - The Investment Adviser already maintains records relating to the delivery of sustainability initiatives across the Company's portfolio. Priority initiatives will be defined through this risk and opportunity identification process and combined with initiatives previously identified through to the Company's engagement with tenants, the acquisition due diligence process. Current example initiatives include feasibility assessments for installation of renewable energy solutions or electric charging points. The Investment Adviser's progress against these plans is reviewed monthly with the Head of Sustainability and at asset management planning meetings with site managers.

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

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

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

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

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

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

Policy and Legal

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

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

The Company's leased supermarket assets in England currently achieve an average rating of C, with 8 of 50 (16%) rated at D or worse. The Company has undertaken an exercise to understand the capital expenditure required to bring the portfolio up to a lettable standard, should the legislation progress as is anticipated (i.e. B by 2030). Based on the Investment Adviser's initial analysis of the upgrade costs, these are not expected to be material for the Company. However, the Company is actively engaging with tenants to improve asset energy efficiency, where possible, since an asset with a lower rating could invite lower demand and rental income relative to an asset with a comparatively higher rating. This is likely to be of greater concern to the Company over the medium term when the majority of its leases will be due for renewal. While the landlord is not able to make change without consent from the tenants, the landlord may register an exemption should the tenant not permit access and alterations to facilitate improvement.

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

Extreme Heat

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

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

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

Flooding

While there have been no instances of flooding across the Company's portfolio during its period of ownership, flooding has in some locations impacted other supermarket properties across the UK. This impact is expected to increase over time due to climate change (see WWF Water Risk Filter). Scenario analysis results for the Company's portfolio show flood risk to be moderate on the short and medium-term time horizons in the RCP8.5 scenario. This risk level is reflective of the higher risk level that the UK faces relative to many other countries. The scenario analysis highlighted regional differences in risk levels within the Company's portfolio, with higher risk sites distributed equally across the South East, South West and Midlands, with Wales, the North East and North West comparatively lower risk.

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

Risk Management

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

The Company's approach to risk assessment is as set out in the Our Principal Risks Section on pages 71 to 84.

The Board and JTC Global AIFM Solutions Limited, the Company's Alternative Investment Fund Manager (the AIFM), together have joint overall responsibility for the Company's risk management and internal controls, with the Audit and Risk Committee reviewing the effectiveness of the Board's risk management processes on its behalf. The ESG Committee is responsible under the delegated authority of the Board for the identification and monitoring of climate related risks which are incorporated into the risk management process.

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

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

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

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

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

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

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

The Company's approach to risk assessment is as set out in the Our Principal Risks Section on pages 71 to 84.

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

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

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

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

Metrics and Targets

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

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

The Company has defined 9 metrics, including asset EPC ratings, against which it can measure progress towards its climate targets. These metrics, their associated targets, and progress to date are shown in Table 3.

Table 3 | Climate-related metrics and targets

	Target	Metric	Progress (as of June 2023)[50]
1	All supermarkets[51] B or above by 2030	EPC rating	25 of 50 (50%)
2	All supermarkets[51] C or above by 2028	EPC rating	42 of 50 (84%)
3	All ancillary units[52] B or above by 2030	EPC rating	37 of 107 (35%)

	Target	Metric	Progress (as of June 2023)[50]
4	All ancillary units[52] C or above by 2028	EPC rating	99 of 107 (93%)
5	Five sites with Company-owned and managed car parks with electronic vehicle charging	Number of vehicle charging stations	0 of 5 (0%)
6	100% of Investment Adviser staff received training on climate risks and opportunities by end of 2023	Percentage of staff trained	In progress. Training for staff due in Q3 2023.
7	Reduction in the Company's Scope 1 & 2 GHG emissions	Absolute emissions	Science-based target (SBT) currently being developed. SBT to be submitted by the end of 2023.
8	Reduction in the Company's Scope 1 & 2 energy emissions ($kgCO_2e/m^2$)	Emissions intensity	Science-based target (SBT) currently being developed. SBT to be submitted by the end of 2023.
9	Reduction in tenant energy emissions ($kgCO_2e/m^2$)	Emissions intensity	Science-based target (SBT) currently being developed.

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

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

The Company completed its first full Scope 1, 2 & 3 GHG inventory in 2023 based on FY 2023 (July 2022 - June 2023) data. The GHG inventory was calculated following the GHG Protocol Guidance and all relevant scopes and categories have been included. The Company defines its organisational boundary using the operational control approach. This means that consumption relating to areas where the Company has operational control, such as the communal areas of certain sites, are included in its direct Scope 1 & 2 emissions. Meanwhile, consumption relating to areas where the Company has limited operational control, such as sites controlled by its tenants, are included in its indirect Scope 3 emissions. Given that most of the Company's portfolio is let on full repairing and insuring leases, Scope 3 forms the largest proportion of its emissions at 99.7% of total Scope 1, 2 & 3 emissions, largely due to tenants' energy use.

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

Data Improvements

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

Table 4 | Greenhouse Gas Emissions

Scope and Category	Description	FY23 Emissions (tCO_2e)	FY22 Emissions (tCO_2e)
Scope 1	Fuels used in the communal areas of sites where the Company as the landlord is responsible for procuring the energy on behalf of the tenants.	10	N/A
Scope 2 (location-based)	Electricity use in the communal areas of sites where the Company as the landlord is responsible for procuring the energy on behalf of the tenants.	101	N/A
Scope 2 (market-based)		184	N/A
Total Scope 1 & 2 Emissions (market-based)		**194**	**N/A**
Scope 3 (1. Purchased Goods & Services)	The Company's purchased goods and services, including emissions relating to the Investment Adviser, Atrato Capital.	3,131	N/A
Scope 3 (2. Capital Goods)	Embodied emissions of newly built properties added to the portfolio in the reporting period.	463	N/A
Scope 3 (3. Fuel- and Energy-Related Activities)	Upstream emissions of energy use included in Scope 1 & 2.	61	N/A
Scope 3 (13. Downstream Leased Assets)	Scope 1 & 2 energy use of tenants, including fugitive emissions arising from refrigeration and air conditioning. Scope 1 & 2 energy use of communal areas where the Company is not responsible for procuring the energy (included in FY23 only).	77,273	87,715
Total Scope 3 Emissions		**80,929**	**87,715**
Total Scope 1, 2 & 3 Emissions (market-based)		**81,123**	**87,715**
Out-of-scope	Tenant emissions relating to biomass used to heat some tenant sites.	22	1,376

Table 5 | Energy Consumption

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

Table 6 | Intensity Metrics

Intensity Metric	FY23	FY22
Scope 1 & 2 Company (landlord) Emissions Intensity (kgCO_2e/ m^2)	0.78	N/A
Scope 3 Tenant Energy Emissions Intensity (tCO_2e/m^2)	117.99	284
Scope 1 & 2 Company (landlord) Energy Intensity (kWh/m^2)	2.30	N/A
Scope 3 Tenant Energy Intensity (electricity and fuels) (kWh/ m^2)	473.86	715

Appendix A: Methodology notes for scenario analysis

Overview

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

Likelihood x Impact = Risk

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

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

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

For scenario analysis ratings, the likelihood and impact are each scored on a scale of 1-5 and are multiplied together to give a risk score between 1-25 for each time horizon. An overall risk score (Overall Rating) is calculated for all scenarios and time periods. Moderate-higher risk scores rate between 15-20, whilst higher risk scores rate between 21 and 25. The Overall Rating and Impact gradings in Table 2 are based on the average across all sites within the portfolio. The Likelihood grading in Table 2 is based on the average across all time horizons under a given scenario and risk type. Consideration is still made for moderate-higher and higher risk sites that are outliers relative to the average value as explored in the accompanying text. Inherent risks and the Company response will continue to be refined and understood following this assessment.

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

Likelihood

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

Risk Type	IPPC or NGFS sub-data set	Raw Unit	Justification
Policy and Legal	Carbon Price (NGFS)	US$/t$CO_2$	The NGFS presents the shadow carbon price as a proxy for government policy intensity. In reality, governments are pursuing a range of fiscal and regulatory policies which have varying costs and benefits. Carbon price is considered a good proxy to emerging regulation and is sensitive to the country's level of ambition to mitigate climate change, timing of policy implementation and distribution of policy measures across sectors. Scores are relative to policy across other countries internationally.
Extreme heat	CMIP6 - Days above 35ºC (IPCC Atlas)	ºC	Days above 35ºC are judged to be extreme. While thresholds for Met Office warnings and 'heat wave' definitions are variable across the UK, over 35 degrees Celsius appears to meet the historical thresholds required for a Met Office 'heat wave' classification and amber or red weather warning being issued. Sites are scored relative to all other UK locations, with a 5 representing the highest 20% of frequencies (over 3.2 or more days per year), and a 1 representing the lowest 20% of frequencies (fewer than 0.8 days per year).
Flooding	WWF's Water Risk Filter	Bespoke WWF risk score number (1-6.6)	This database specifically considers the physical flood risk indicator within the tool. Scores are relative to all countries internationally. 'Optimistic case' scores selected for RCP 2.6, 'Pessimistic case' for RCP 8.5 scenario.

Impact

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

- Impact Pathway: An 'impact pathway' is defined for each risk type. An impact pathway is a financial statement line item (FSLI) that we would expect to be materially affected by a risk type e.g. revenue, cost of sales, operating costs, fixed assets, cash etc. A risk type may have multiple impact pathways; however, the scope of this assessment considers only one impact pathway. The impact pathway that is judged to be most significantly impacted is selected. The impact pathways in focus were selected following consultation with the Investment Adviser's finance team.
- Impact indicator: Multiple impact indicators can combine to give an overall impact score and can be a combination of the Company's own data points and secondary sources. There are no limits on the nature and extent of indicators used; we have used one per risk type for the current year reporting, however two, three or 10 could be used as the risk screening evolves.
- Weighting: Each indicator used is combined to give an overall impact score. The 'weight' each impact indicator carries is judgmental. At present, because only one indicator has been used per risk, they all carry a weighting of 100%, but should more indicators be added over time, the Company will reflect on the weighting these carry and can adjust these within the Excel model as they see fit.
- Financial materiality alignment: Where possible; we have aligned the upper impact score (a '5 rating') with a financially material impact.

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

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

Limitations of this analysis

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

Appendix B: Methodology notes for greenhouse gas inventory

Methodology and Assumptions

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

been included and any exclusions are described below.

Scope 1 & 2

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

Scope 3 (1. Purchased Goods & Services)

This category was estimated using spend as a proxy and applying Department for Environment, Food & Rural Affairs (DEFRA) input-output factors $kgCO_2$/GBP) to expenditure.

Scope 3 (2. Capital Goods)

There were two sites where development was completed in the reporting period. For these sites, embodied carbon emissions were estimated by applying a benchmark intensity ($kgCO_2e/m^2$) to the floor area.

Scope 3 (13. Downstream Leased Assets)

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

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

OUR PRINCIPAL RISKS

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

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

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

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

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

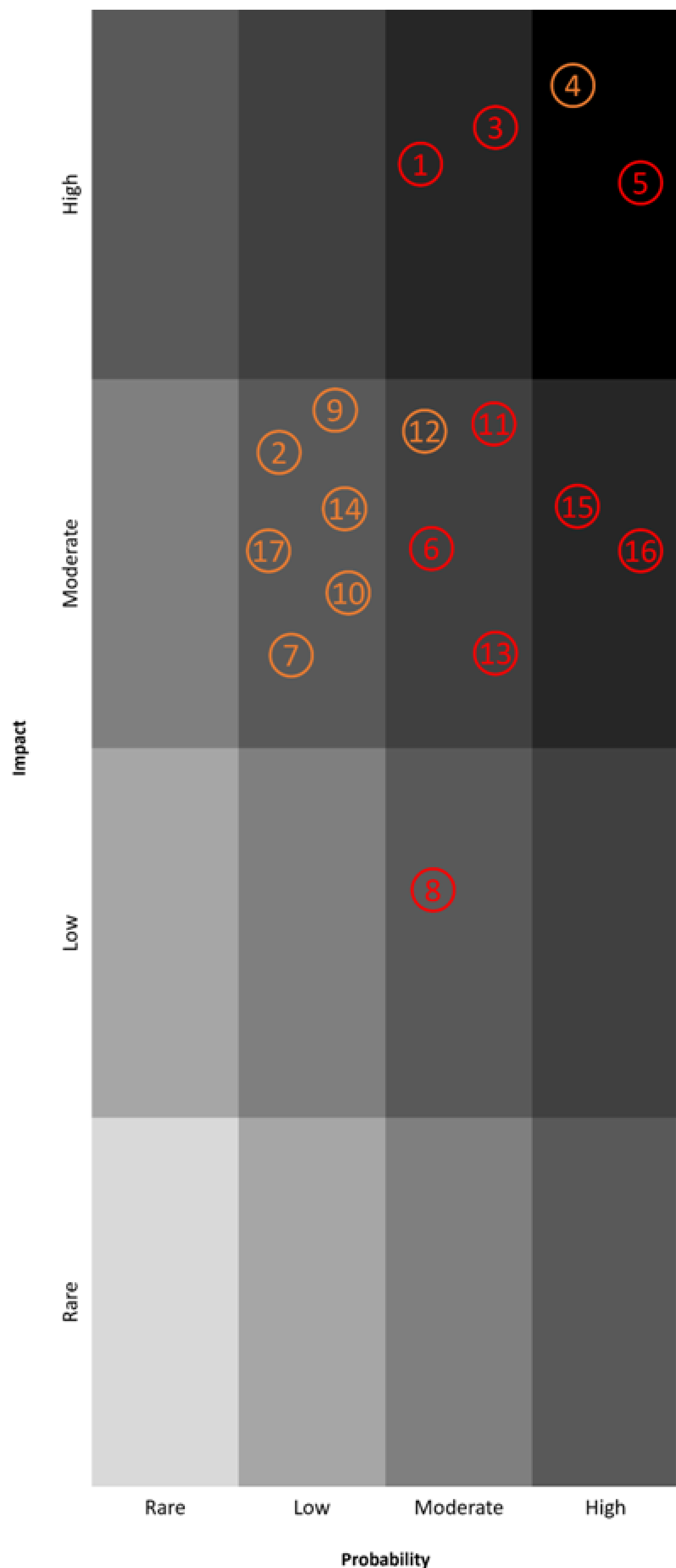
The risk management process includes the Board's identification, consideration and assessment of those emerging risks which may impact the Group.

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

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

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

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



The Board considers these risks have increased since last year

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.

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

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

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

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

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

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

16 Inflationary pressures on the valuation of the portfolio.

The Board considers these risks to be broadly unchanged since last year

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

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

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

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

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

17. Impact of war in Ukraine.

The Board considers these risks have decreased since last year

Property Risk

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

Probability:	Impact:	Mitigation
Moderate (from Low)	**High (from Moderate)** An adverse change in our property valuations may lead to breach of our banking covenants. Market conditions may also reduce the revenues we earn from our property assets, which may affect our ability to pay dividends to shareholders. A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our net asset value.	Our Portfolio is 99.6% let (100% of supermarket assets are let) with long weighted average unexpired lease terms and an institutional-grade tenant base. All the leases contain upward-only rent reviews, 80% are inflation-linked, 18% are open market value and the rest contain fixed uplifts. These factors help maintain our asset values. We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on loan to value and interest cover. We are reviewing alternative financing arrangements to lessen any dependence on the banking sector.

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

Probability:	Impact:	Mitigation
Low	**Moderate** The Company faces competition from other property investors. Competitors may have greater financial resources than the Company and a greater ability to borrow funds to acquire properties. The supermarket investment market continues to be considered a safe asset class for investors seeking long-	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

	term secure cash flows which is maintaining competition for quality assets. This has led to increased demand for supermarket assets without a comparable increase in supply, which could potentially increase prices and make it more difficult to deploy capital.	secure future acquisitions for the Group. The Company has acquired assets which are anchored by supermarket properties but which also have ancillary retail on site, and these acquisitions allow the Company to access quality supermarket assets whilst providing additional asset management opportunities. 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:	**Impact**:	**Mitigation**
Moderate (from Low)	**High** Our focus on supermarket property means we directly rely on the performance of UK supermarket operators. Insolvencies could affect our revenues earned and property valuations.	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. As at 30 June 2023, 76% of SUPR's income is from assets let to Sainsbury's and Tesco who are deemed investment grade credit quality, with 2% of rental exposure to Asda and 1% for Aldi. The portfolio however continues to be geographically diversified with no individual tenant operating within more than 10-15 minutes of one of the Group's assets in any single geographical area. 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. Our investment strategy is to acquire strong trading grocery locations, which in many cases have been supermarkets for between 30 and 50 years. Our investment underwriting targets strong tenants with strong property fundamentals (good location, large sites with low site cover) and which should be attractive to other occupiers or have strong alternative use value should the current occupier fail.

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

Probability	Impact	Mitigation
High	**High** A severe fall in values may result in us selling assets to repay our loan commitments, resulting in a fall in our net asset value	The failure of a single operator in any given town would place strain on the immediate surrounding retailers as demand previously supplied by the failed operator would be taken up by existing retailers. The potential demise of a major supermarket operator would therefore result in the real estate being potentially acquired by another operator and would continue to be used as a supermarket. Our investment strategy is to acquire strong trading grocery locations, which in many cases have been supermarkets for between 30 and 50 years. Our investment underwriting targets strong property fundamentals (good location, large sites with low site cover) and which should be attractive to other occupiers or have strong alternative use value should the current occupier fail.

Financial Risk

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

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

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

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

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

Probability:	Impact:	Mitigation
Low	**Moderate** The Group's borrowing facilities contain certain financial covenants relating to	We and the AIFM continually monitor our banking covenant compliance to ensure we

	Loan to Value ratio and Interest Cover ratio, a breach of which would lead to a default on the loan. The Group must continue to operate within these financial covenants to avoid default.	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

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

Probability:	Impact:	Mitigation
Moderate (from Low)	**Low** Our investment objectives include achieving the dividend and total returns targets. The amount of any dividends paid or total return we achieve will depend, among other things, on successfully pursuing our investment policy and the performance of our assets. Future dividends are subject to the Board's discretion and will depend, on our earnings, financial position, cash requirements, level and rate of borrowings, and available distributable reserves.	The Board uses its expertise and experience to set our investment strategy and it seeks external advice to underpin its decisions, for example independent asset valuations. There are complex controls and detailed due diligence arrangements in place around the acquisition of assets, designed to ensure that investments will produce the expected results. 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 dividend target. Movement in capital value is subject to market yield movements and the ability of the Investment Adviser to execute asset management strategies

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

Probability:	Impact:	Mitigation
Low	**Moderate** We rely on the Investment Adviser's services and reputation to execute our investment strategy. Our performance will depend to some extent on the Investment Adviser's ability and the retention of its key staff.	A new Investment Advisory Agreement was entered into on 14 July 2021; this revised agreement provides that unless there is a default, either party may terminate by giving not less than two years written notice. This provides additional certainty for the Company. The Board keeps the performance of the Investment Adviser under continual review and undertakes a formal review at least annually. The interests of the Company and the Investment Adviser are aligned due to (a) key staff of the Investment Adviser having personal equity investments in the Company and (b) any fees paid to the Investment Adviser in shares of the Company are to be held for a minimum period of 12 months. The Board can pay up to 25% of the Investment Adviser fee in shares of the Company. In addition, the Board has set up a management engagement committee to assess the performance of the Investment Adviser and ensure we maintain a positive working relationship. The AIFM receives and reviews regular reporting from the Investment Adviser and reports to the Board on the Investment Adviser's performance. The AIFM also reviews and makes recommendations to the Board on any investments or significant asset management initiatives proposed by the Investment Adviser.

Taxation Risk

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

Probability:	Impact:	Mitigation
Low	**Moderate** If the Company fails to remain a REIT for UK tax purposes, our profits and gains will be subject to UK corporation tax.	The Board takes direct responsibility for ensuring we adhere to the UK REIT regime by monitoring the REIT compliance. The Board has also engaged third-party tax advisers to help monitor REIT compliance requirements and the AIFM also monitors compliance by the Company with the REIT regime.

Climate Risks

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

Probability:	Impact:	Mitigation
Moderate (from Low)	**Moderate**	An ESG committee has been created to develop a road map for an energy efficient property portfolio

	As investors increase their focus on climate risk, there is likely to become a larger pool of capital looking to invest in energy efficient assets. Although this represents an opportunity for those best-in-class assets to achieve a 'green premium', there is likely to be an impact on yield demanded, and therefore valuation on assets within the portfolio which are less energy efficient. Given the unexpired lease terms across the portfolio, this trend may impact the residual values implicit in valuations and reduce tenant demand for these properties	including an appropriate policy for minimum energy performance across the Group's assets. Many of the supermarket operators have published targets to achieve Net Zero and are actively upgrading stores to make them more energy efficient. The Company continues to work with its tenants to help them meet this target and has entered into a framework agreement with Atrato Onsite Energy plc to install rooftop solar panels across SUPR's portfolio. We are conducting ongoing work to update our physical risk assessments on an annual basis and integrate the outcomes of the analysis into our asset and property management activities. Further detail has been included within the TCFD report on pages 48 to 70.

Climate Risks

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

Probability:	Impact:	Mitigation
Moderate	**Moderate** Changes in regulations (currently represented by Minimum Energy Efficiency Standards (MEES) could lead to the possibility of our assets becoming unlettable. Any properties not compliant with MEES could attract reduced tenant demand, reduced rental income and/or be subject to fines.	The ESG committee stays informed about changes in legislation by working closely with the Investment Adviser and seeks input from specialist ESG experts where necessary. Proposed updates to MEES, together with updates on businesses to develop Net Zero transition plans are being closely monitored. Further detail has been included within the TCFD report on pages 48 to 70.

Climate Risks

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

Probability:	Impact:	Mitigation
Moderate (from Low)	**Moderate** Given the impact of global warming, there is likely to be an increased risk of floods and natural disasters which could result in physical damage to the Group's properties. Rising temperatures may also result in increased energy demand required for cooling, reducing tenant demand for less energy efficient buildings	The Company obtains environmental surveys on all acquisitions, which address the short-term risk of climate related damage to group properties. A specialist ESG consultant was engaged during the year to understand the impacts of climate change on the portfolio, using scenario analysis. Work is ongoing in this area, where further detail has been included within the TCFD report on pages 48 to 70. The Investment Adviser's asset management team continue to monitor the changing physical risk as it develops through regular site visits to the Group's assets.

Cyber Risks

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

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

is undertaken where access to the Investment Adviser's systems is required, with enhanced controls implemented, again based on the principle of least privilege.

Market Price Risk

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

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

Macroeconomic Risks

16. Inflationary pressures on the valuation of the portfolio

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

Macroeconomic Risks

17. Impact on the war in Ukraine

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

The Group invests solely in UK properties.

Going concern

In light of the current macroeconomic backdrop, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's and Company's financial statements for the year ended 30 June 2023. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

Liquidity

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

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

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

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

Refinancing events

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

Covenants

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

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

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

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

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

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

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

Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 30 June 2028. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts. The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks. The principal risks on pages 71 to 84 summarise those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance.

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

Viability Statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2028, which is the period covered by the Group's longer-term financial projections. The Board considers five years to be an appropriate forecast period since, although the Group's contractual income extends beyond five years, the availability of most finance and market uncertainty reduces the overall reliability of forecast performance over a longer period.

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

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

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

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

Other disclosures

Disclosures in relation to the Company's business model and strategy have been included within the Investment Adviser's Interview on pages 18 to 29. Disclosures in relation to the main industry trends and factors that are likely to affect the future performance and position of the business have been included within The UK Grocery Market on pages 34 to 38. Disclosures in relation to environmental and social issues have been included within the TCFD Report on pages 48 to 70. Employee diversity disclosures have not been included as the Directors do not consider these to be relevant to the Company.

Key Performance Indicators (KPIs)

The KPIs and EPRA performance measures used by the Group in assessing its strategic progress have been included on pages 39 to 42.

Nick Hewson
Chair
19 September 2023

SECTION 172(1) STATEMENT

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

Details of our key stakeholders and how the Board engages with them can be found on pages 87 to 91. Further details of the Board activities and principal decisions are set out on pages 105 to 107 providing insight into how the Board makes decisions and their link to strategy.

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

s.172 Factor	**Our approach**	**Relevant disclosures**
A. The likely consequences of any decision in the long-term	The Board has regard to its wider obligations under Section 172 of the Act. As such strategic discussions involve careful considerations of the longer-term consequences of any decisions and their implications on shareholders and other stakeholders and the risk to the longer-term success of the business. Any recommendation is supported by detailed cash flow projections based on various scenarios, which include: availability of funding; borrowing; as well as the wider economic conditions and market performance.	Key decisions of the Board during the year on page 107. Our Key Stakeholder Relationships on pages 87 to 91. Board Activities during the year on pages 105 and 106.
B. The interests of the Company's employees	The Group does not have any employees as a result of its external management structure. The Board's main working relationship is with the Investment Adviser. Consequently, the Directors have regard to the interests of the individuals who are responsible for delivery of the investment advisory services to the Company to the extent that they are able to do so.	Our Key Stakeholder Relationships on pages 87 to 91. Culture on page 102.
C. The need to foster the Company's business relationships with suppliers, customers and others	The Company's key service providers and customers include the Investment Adviser, professional firms such as lenders, property agents, accounting and law firms, tenants with which we have longstanding relationships and transaction counterparties which are generally large and sophisticated businesses or institutions.	Our Key Stakeholder Relationships on pages 87 to 92.

D. The impact of the Company's operations on the community and the environment	As an owner of assets located in communities across the UK, we aim to ensure that our buildings and their surroundings provide safe and comfortable environments for all users. The Board and the Investment Adviser have committed to limiting the impact of the business on the environment where possible and engage with tenants to seek to improve the ESG credentials of the properties owned by the Company.	Our Key Stakeholder Relationships on pages 87 to 92. Details of the ESG policy and strategy are included on pages 48 to 70. The Board's approach to sustainability is also explained in the Company's first standalone sustainability report available on the Company website.
E. The desirability of the Company maintaining a reputation for high standards of business conduct	The Board is mindful that the ability of the Company to continue to conduct its investment business and to finance its activities depends in part on the reputation of the Board, the Investment Adviser and Investment Advisory Team. The risk of falling short of the high standards expected and thereby risking business reputation is included in the Audit and Risk Committee's review of the Company's risk register, which is conducted at least annually.	Chair's Letter on Corporate Governance on pages 92 and 93. Our Principal Risks and Uncertainties on pages 71 to 84. Our Culture on page 102.
F. The need to act fairly as between members of the Company	The Board recognises the importance of treating all members fairly and oversees investor relations initiatives to ensure that views and opinions of shareholders can be considered when setting strategy.	Chair's Letter on Corporate Governance on pages 92 and 93. Our Key Stakeholder Relationships on pages 87 to 91.

DIRECTORS' REPORT

The Directors present their report together with the audited financial information for the year ended 30 June 2023. The Corporate Governance Statement pages 108 to 112 forms part of this report.

Principal activities and status

The Company is registered as a UK public limited company under the Companies Act 2006. It is an Investment Company as defined by Section 833 of the Companies Act 2006 and has been established as a closed-ended investment company with an indefinite life. The Company has a single class of shares in issue which were traded during the year on the Premium List of the London Stock Exchange's Main Market. The Group has entered the Real Estate Investment Trust regime for the purposes of UK taxation.

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

Results and dividends

The results for the year are set out in the attached financial information. It is the policy of the Board to declare and pay dividends as quarterly interim dividends.

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

Relevant Period	Dividend per share (pence)	Ex-dividend date	Record date	Date paid
Quarter ended 30 September 2022	1.50	6 October 2022	7 October 2022	16 November 2022
Quarter ended 31 December 2022	1.50	19 January 2023	20 January 2023	23 February 2023
Quarter ended 31 March 2023	1.50	20 April 2023	21 April 2023	26 May 2023
Quarter ended 30 June 2023	1.50	13 July 2023	14 July 2023	4 August 2023

Dividend policy

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

Directors

The names of the Directors who served from in the year ended 30 June 2023 are set out in the Board of Directors section on pages 94 to 96 together with their biographical details and principal external appointments.

Powers of Directors

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

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. It also sets up the Group's strategic aims, ensuring that the necessary resources are in place for the Group to meet its objectives and review investment performance. The Board also sets the Group's values, standards and culture. Further details on the Board's role can be found in the Corporate Governance Report on pages 100 to 104.

Appointment and replacement of Directors

All Directors were elected or re-elected at the AGM on 17 November 2022, with the exception of Sapna Shah who was appointed to the Board on 1 March 2023. In accordance with the AIC Corporate Governance Code, all the Directors will retire

and those who wish to continue to serve will offer themselves for election or re-election at the forthcoming Annual General Meeting.

Directors' indemnity

The Company maintains £30 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors, which was in place throughout the year. The level of cover was increased to £35 million on 17 July 2023 and continues in effect at the date of this report.

Significant shareholdings

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

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

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

Donations and contributions

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

Branches outside the UK

The Company has no branches outside the UK.

Financial risk management

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

Amendments to the Articles

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

Employees

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

Anti-bribery policy

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

Human Rights

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

Research and development

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

Related party transactions

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

Annual General Meeting

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

Greenhouse gas emissions

As a listed entity, the Company is required to comply with the Streamlined Energy and Carbon Reporting (SECR) regulations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Information regarding emissions arising from the Group's activities are included within the TCFD aligned report on pages 48 to 70.

Disclosure of information to auditor

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

Significant agreements

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

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

Share capital structure

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

Subject to authorisation by Shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. At the Annual General Meeting held in 2022, shareholders authorised the Company to make market

purchases of up to 186,140,810 Ordinary Shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire at the AGM in 2023 and appropriate renewals will be sought.

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

Post balance sheet events

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

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 108 to 112 of this Annual Report. The Corporate Governance Report forms part of this directors' report and is incorporated into it by cross-reference.

Information included in the strategic report

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

Subject matter	**Page reference**
Likely future developments	18 to 29

Signed by order of the Board on 19 September 2023

Nick Hewson
Chair
19 September 2023

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

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

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

1. Material Changes in the Disclosures to Investors
During the financial year under review, there were no material changes to the information required to be made available to investors before they invest in the Company under Article 23 of the AIFMD from that information set out in the Company's prospectus dated 1 October, 2021, save as updated in the supplementary prospectus dated 7 April, 2022, as disclosed below and in certain sections of the Strategic Report, those being the Chair's Statement, Investment Adviser's Interview, The UK Grocery Market, TCFD Compliant Report, Our Principal Risks and the Section 172(1) Statement, together with the Corporate Governance Reports in this annual financial report.

2. Risks and Risk Management Policy
The current principal risks facing the Company and the main features of the risk management systems employed by AIFM and the Company to manage those risks are set out in the Strategic Report (Our Principal Risks), the Audit and Risk Committee Report and in the Directors' Report.

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

4. Environmental, Social and Governance (ESG) Issues and Regulation (EU) 2019/2099 on Sustainability-Related Disclosures in the Financial Services Sector (the "SFDR")
As a member of the JTC group of Companies, the AIFM's ultimate beneficial owner and controlling party is JTC Plc, a Jersey-incorporated company whose shares have been admitted to the Official List of the UK's Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for Listed Securities (mnemonic JTC LN, LEI 213800DVUG4KLF2ASK33). In the conduct of its own affairs, the AIFM is committed to best practice in relation to ESG matters and has therefore adopted JTC Plc's ESG framework, which can be viewed online at https://www.jtcgroup.com/esg/. JTC Plc's sustainability report can also be viewed online at https://www.jtcgroup.com/investor-relations/annual-review/.

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

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

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

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

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

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

5. Remuneration of the AIFM's Directors and Employees

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

6. Remuneration of the AIFM Payable by the Company

The AIFM was during the year under review paid a fee of 0.04% *per annum* of the net asset value of the Company up to £1 billion and 0.03% of the Company's net asset value in excess of £1 billion, subject to a minimum of £50,000 *per annum*, such fee being payable quarterly in arrears. The total fees paid to the AIFM during the year under review were £480,763.62.

JTC Global AIFM Solutions Limited
Alternative Investment Fund Manager
19 September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	**Year to 30 June 2023 £'000**	Year to 30 June 2022 £'000
Gross rental income	3	**95,823**	72,363
Service charge income	3	**5,939**	2,086
Service charge expense	4	**(6,518)**	(2,338)
Net Rental Income		**95,244**	**72,111**
Administrative and other expenses	5	**(15,429)**	(13,937)
Operating profit before changes in fair value of investment properties and share of income and profit on disposal from joint venture		**79,815**	**58,174**
Changes in fair value of investment properties	12	**(256,066)**	21,820
Total changes in fair value of investment properties		**(256,066)**	21,820
Share of income from joint venture	14	**23,232**	43,301
Profit on disposal of joint venture	14	**19,940**	-
Operating (loss)/profit		**(133,079)**	**123,295**
Finance income	8	**14,626**	-
Finance expense	8	**(39,315)**	(12,992)
Changes in fair value on interest rate derivatives	19	**10,024**	-
Profit on disposal of interest rate derivatives		**2,878**	-
(Loss)/Profit before taxation		**(144,866)**	**110,303**
Tax charge for the year	9	**-**	**-**
(Loss)/Profit for the year		**(144,866)**	**110,303**
Items to be reclassified to profit or loss in subsequent periods			
Fair value movements in interest rate derivatives	19	**1,068**	5,566
Total comprehensive (loss)/income for the year		**(143,798)**	**115,869**
Total comprehensive (loss)/income for the year attributable to ordinary Shareholders		**(143,798)**	**115,869**
Earnings per share - basic and diluted	10	**(11.7) pence**	11.3 pence

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	**As at 30 June 2023 £'000**	As at 30 June 2022 £'000
Non-current assets			
Property, plant and equipment		**-**	129
Investment properties	12	**1,685,690**	1,561,590
Investment in joint ventures	14	**-**	177,140
Contract fulfilment asset		**-**	93
Financial asset at amortised cost	16	**10,819**	10,626
Interest rate derivatives	19	**37,198**	5,114
Total non-current assets		**1,733,707**	**1,754,692**
Current assets			
Interest rate derivatives	19	**20,384**	-
Financial assets held at fair value through profit and loss	15	**-**	283
Trade and other receivables	17	**142,155**	1,863
Cash and cash equivalents		**37,481**	51,200
Total current assets		**200,020**	**53,346**
Total assets		**1,933,727**	**1,808,038**
Non-current liabilities			
Bank borrowings	20	**605,609**	348,546
Total non-current liabilities		**605,609**	**348,546**
Current liabilities			
Bank borrowings due within one year	20	**61,856**	-
Deferred rental income		**21,557**	16,360
Trade and other payables	18	**26,979**	10,677
Total current liabilities		**110,392**	**27,037**
Total liabilities		**716,001**	**375,583**
Net assets		**1,217,726**	**1,432,455**
Equity			
Share capital	22	**12,462**	12,399
Share premium reserve	22	**500,386**	494,174
Capital reduction reserve	22	**704,531**	778,859
Retained earnings		**(2,957)**	141,909
Cash flow hedge reserve		**3,304**	5,114
Total equity		**1,217,726**	**1,432,455**
Net asset value per share - basic and diluted	**26**	**98 pence**	**116 pence**
EPRA NTA per share	**26**	**93 pence**	**115 pence**

The consolidated financial information was approved and authorised for issue by the Board of Directors on 19 September 2023 and were signed on its behalf by

Nick Hewson

Chair

19 September 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

	Share capital £'000	**Share premium reserve £'000**	**Cash flow hedge reserve £'000**	**Capital reduction reserve £'000**	**Retained earnings £'000**	**Total £'000**
As at 1 July 2022	**12,399**	**494,174**	**5,114**	**778,859**	**141,909**	**1,432,455**
Comprehensive income for the year						
Loss for the year	-	-	-	-	(144,866)	(144,866)
Cash flow hedge reserve to profit for the year on disposal of interest rate derivatives	-	-	(2,878)	-	-	(2,878)
Other comprehensive income	-	-	1,068	-	-	1,068
Total comprehensive loss for the year	**-**	**-**	**(1,810)**	**-**	**(144,866)**	**(146,676)**
Transactions with owners						

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
Ordinary shares issued at a premium during the year	63	6,301	-	-	-	6,364
Share issue costs	-	(89)	-	-	-	(89)
Interim dividends paid	-	-	-	(74,328)	-	(74,328)
As at 30 June 2023	**12,462**	**500,386**	**3,304**	**704,531**	**(2,957)**	**1,217,726**

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total £'000
As at 1 July 2021	**8,107**	**778,859**	**(452)**	**-**	**84,796**	**871,310**
Comprehensive income for the year						
Profit for the year	-	-	-	-	110,303	110,303
Other comprehensive income	-	-	5,566	-	-	5,566
Total comprehensive income for the year	**-**	**-**	**5,566**	**-**	**110,303**	**115,869**
Transactions with owners						
Ordinary shares issued at a premium during the year	4,292	504,539	-	-	-	508,831
Share premium cancellation to capital reduction reserve	-	(778,859)	-	778,859	-	-
Share issue costs	-	(10,365)	-	-	-	(10,365)
Interim dividends paid	-	-	-	-	(53,190)	(53,190)
As at 30 June 2022	**12,399**	**494,174**	**5,114**	**778,859**	**141,909**	**1,432,455**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 June 2023

	Notes	**Year to 30 June 2023 £'000**	Year to 30 June 2022 £'000
Operating activities			
(Loss)/Profit for the year (attributable to ordinary Shareholders)		**(144,866)**	110,303
Adjustments for:			
Changes in fair value of interest rate derivatives measured at fair value through profit and loss	19	**(10,024)**	-
Changes in fair value of investment properties and associated rent guarantees	12	**256,066**	(21,820)
Movement in rent smoothing and lease incentive adjustments	3	**(2,763)**	(2,654)
Finance income	8	**(14,626)**	-
Finance expense	8	**39,281**	12,992
Share of income from joint venture	14	**(23,232)**	(43,301)
Profit on disposal of interest rate derivative	19	**(2,878)**	-
Profit on disposal of Joint Venture	14	**(19,941)**	-
Cash flows from operating activities before changes in working capital		**77,017**	**55,520**
(Increase) / decrease in trade and other receivables		**(548)**	1,277
Decrease/(increase) in rent guarantee receivables		**191**	(87)
Increase in deferred rental income		**5,198**	4,299
Increase in trade and other payables		**2,461**	2,004
Net cash flows from operating activities		**84,319**	**63,013**
Investing activities			
Acquisition of contract fulfilment assets		**-**	(8)
Disposal of Property, Plant & Equipment		**222**	-
Acquisition of investment properties	12	**(362,630)**	(371,093)
Capitalised acquisition costs		**(14,681)**	(17,603)
Decrease/(Increase) in other financial assets	16	**-**	(10,626)
Receipts from other financial assets	16	**290**	-
Investment in joint venture	14	**(189,528)**	(3,518)
Proceeds from disposal of Joint Venture	14	**292,636**	-
Net cash flows used in investing activities		**(273,691)**	**(402,848)**

	Notes	**Year to 30 June 2023 £'000**	Year to 30 June 2022 £'000

	Note	2023	2022
Financing activities			
Proceeds from issue of Ordinary Share Capital	22	**-**	506,727
Costs of share issues	22	**(89)**	(10,366)
Bank borrowings drawn	20	**912,114**	402,922
Bank borrowings repaid	20	**(598,486)**	(464,029)
Loan arrangement fees paid		**(5,010)**	(2,187)
Bank interest paid		**(22,408)**	(9,846)
Settlement of interest rate derivatives		**8,646**	-
Settlement of Joint Venture Carried Interest		**(8,066)**	-
Sale of interest rate derivatives	19	**2,878**	-
Purchase of interest rate derivative	19	**(44,255)**	-
Bank commitment fees paid		**(1,708)**	(681)
Dividends paid to equity holders		**(67,963)**	(51,084)
Net cash flows from financing activities		**175,653**	**371,456**
Net movement in cash and cash equivalents in the year		**(13,719)**	31,621
Cash and cash equivalents at the beginning of the year		**51,200**	**19,579**
Cash and cash equivalents at the end of the year		**37,481**	**51,200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

General information
Supermarket Income REIT plc (the Company) is a company registered in England and Wales with its registered office at 1 King William Street, London, United Kingdom, EC4N 7AF. The principal activity of the Company and its subsidiaries (the Group) is to provide its Shareholders with an attractive level of income together with the potential for capital growth by investing in a diversified portfolio of supermarket real estate assets in the UK.

At 30 June 2023 the Group comprised the Company and its wholly owned subsidiaries as set out in Note 13.

Basis of preparation
The consolidated financial information set out in this preliminary announcement covers the year to 30 June 2023, with comparative figures relating to the year to 30 June 2022, and includes the results and net assets of the Group. The financial information has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 30 June 2023. Whilst the financial information included in this announcement has been computed in accordance with the recognition and measurement requirements of UK adopted international accounting standards this announcement does not itself contain sufficient information to comply with IFRS.

The financial information does not constitute the Group's financial statements for the years ended 30 June 2023 or 30 June 2022, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and results of the Group. Financial statements for the year ended 30 June 2022 have been delivered to the Registrar of Companies and those for the year ended 30 June 2023 will be delivered following the Company's AGM. The auditors' reports on both the 30 June 2023 and 30 June 2022 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The principal accounting policies applied in the preparation of the 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 current Macroeconomic backdrop, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's and Company's financial statements for the year ended 30 June 2023. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

Liquidity

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

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

After the year end, the Group also reduced its debt capacity from £862.1 million to £680.5 million (see Note 20 for more information), leaving undrawn committed facilities of over £100 million available.

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

Refinancing events

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

Covenants

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

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

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

The list of scenarios are below and are all on top of the base case model which includes prudent assumptions on valuations and cost inflation. No sensitivity for movements in interest rates have been modelled as the Group is fully hedged during the going concern assessment period.

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

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

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

Assessment of viability

The period over which the Directors consider it feasible and appropriate to report on the Group's viability is the five-year period to 30 June 2028. This period has been selected because it is the period that is used for the Group's medium-term business plans and individual asset performance forecasts. The assumptions underpinning these forecast cash flows and covenant compliance forecasts were sensitised to explore the resilience of the Group to the potential impact of the Group's significant risks, or a combination of those risks. The principal risks on pages 71 to 84 summarise those matters that could prevent the Group from delivering on its strategy. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur. The Directors paid particular attention to the risk of a deterioration in economic outlook which could impact property fundamentals, including investor and occupier demand which would have a negative impact on valuations, and give rise to a reduction in the availability of finance.

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

Viability Statement

The Board has assessed the prospects of the Group over the five years from the balance sheet date to 30 June 2028, which is the period covered by the Group's longer-term financial projections. The Board considers five years to be an appropriate forecast period since, although the Group's contractual income extends beyond five years, the availability of most finance and market uncertainty reduces the overall reliability of forecast performance over a longer period.

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

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

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

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

Accounting convention and currency

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

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

Adoption of new and revised standards

In the current financial year, the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB as adopted by the UK Endorsement Board, none of which have had a material impact on the Group.

There was no material effect from the adoption of other amendments to IFRS effective in the year. They have no significant impact on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards and interpretations in issue not yet adopted

The following are new standards, interpretations and amendments, which are not yet effective, and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

- Amendments to IAS 1 which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow-scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles (effective for periods beginning on or after 1 January 2024).

The amendments include clarifications relating to:

- How events after the end of the reporting period affect liability classification

- What the rights of an entity must be in order to classify a liability as non-current
- How an entity assesses compliance with conditions of a liability (e.g. bank covenants)
- How conversion features in liabilities affect their classification

The amendment is not expected to have an impact on the presentation or classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements (periods beginning after 1 January 2024).

- IFRS S2 Climate-related Disclosures. IFRS S2 sets out disclosure requirements that are specific to climate-related matters (periods beginning after 1 January 2024).

The Group acknowledges the issue of these new standards by the International Sustainability Standards Board's (ISSB) will monitor the consultation and decision process being undertaken by the UK Government and FCA in determining how these standards are implemented by UK companies.

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

Significant accounting judgements, estimates and assumptions
The preparation of this financial information 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 information.

Key estimate: Fair value of investment properties

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

The independent valuer did not include any material valuation uncertainty clause in relation to the valuation of the Group's investment property for 30 June 2023 or 30 June 2022.

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

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

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

Key estimate: Fair value of interest rate derivatives
Derivatives are valued in accordance with IFRS 13 "Fair Value Measurement" by reference to interbank bid market rates as at the close of business on the last working day prior to each reporting date. The fair values are calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties. The amounts and timing of future cash flows are projected on the basis of the contractual terms.

The fair value of the Group's interest rate derivatives, along with further details of the valuation methods used, are detailed in note 19.

Key judgement: Joint ventures - joint control
In prior years, the Group entered into a 50:50 joint venture with the British Airways Pension Trustees Limited to acquire 100% of the issued share capital in Horndrift Limited for a combined total consideration of £102 million plus costs. The joint venture also acquired 100% of the issued share capital in Cornerford Limited for a combined total consideration of £115 million plus costs (together "the Joint Venture Interest").

Horndrift Limited and Cornerford Limited each hold a 25.2% beneficial interest in a property trust arrangement / bond securitisation structure (the "Structure") which previously held a portfolio of 26 Sainsbury's supermarket properties funded by bonds which mature in 2023. During the year, Sainsbury's exercised options to acquire 21 of these stores within the Structure and it has been determined that the exercise of the purchase options by Sainsbury's resulted in the performance obligation being satisfied for a sale of the properties in accordance with IFRS 15. The JV is deemed to hold a contractual receivable from Sainsbury's plc in respect of these 21 properties.

During the year, the Group acquired the British Airways Pension Trustees Limited stake in the joint venture, meaning the Group had a beneficial interest in over 50% of the underlying property pool, via its 100% ownership in Horndrift and Cornerford.

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

The Directors therefore concluded that through its Joint Venture Interest, the Group indirectly has joint control of the Structure as defined by IFRS 10 Consolidated Financial Statements. As such the Group's interest in the Structure is accounted for using the equity method of accounting under IAS 28.

Following the additional Joint Venture interest acquired during the year, the Group was deemed to still jointly control the Structure as any change to the contractual arrangements and deeds that regulate the Structure, requires unanimous consent from all beneficial holders. Therefore, the equity method of accounting continued to be used until the disposal of the investment in joint venture which occurred during the year (see Note 14).

Key judgement: Acquisition of Joint Venture stake
During the year the Group acquired an additional 50% interest in the Group's existing joint venture, Horner (Jersey) LP, from British Airways Pension Trustees Limited for total consideration of £188.8 million. At the time of the purchase the Directors assess whether the acquisition represents the acquisition of an asset or the acquisition of a business.

Under the Definition of a Business (Amendments to IFRS 3 "Business Combinations"), to be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional 'concentration test' is also applied, where if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

The concentration test was applied confirming that substantially all of the fair value of the assets acquired were concentrated in an investment in joint venture, being the Structure and was therefore accounted as an asset purchase.

Key judgement: Acquisition of investment properties
The Group has acquired and intends to acquire further investment properties. At the time of each purchase the Directors assess whether an acquisition represents the acquisition of an asset or the acquisition of a business.

Under the Definition of a Business (Amendments to IFRS 3 "Business Combinations"), to be considered as a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The optional 'concentration test' is also applied, where if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

During the year, the group completed nine acquisitions. In nine cases the concentration test was applied and met, resulting in the acquisitions being accounted for as asset purchases.

All £362.6 million of acquisitions during the year were accounted for as asset purchases.

Key judgement: Acquisition of financial assets at amortised cost
The Group acquires properties under a sale and leaseback arrangements. At the time of the purchase the Directors assess whether the acquisition represents the acquisition of an investment property or a financial asset.

Under IFRS 15, for the transfer of an asset to be accounted for as a true sale, satisfying a performance obligation of transferring control of an asset must be met for this to be deemed a property transaction and accounted for under IFRS 16. If not, it is accounted for as an asset under IFRS 9.

The Group acquired a property in the prior under a sale and leaseback arrangement with a larger multi-channel supermarket operator. In this case, it was deemed that as the lease was for a significant part of the asset's useful economic life, control was not passed and the asset was therefore accounted for under IFRS 9 as an amortised cost asset.

2. Summary of significant accounting policies

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

2.1. Basis of consolidation

The consolidated financial information comprises the financial information of the Company and all of its subsidiaries drawn up to 30 June 2023.

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

The financial information of subsidiaries is 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 entities within the Group.

2.2. Segmental information

The Directors are of the opinion that the Group is currently engaged in a single segment business, being investment in United Kingdom in supermarket property assets; the non-supermarket properties are ancillary in nature to the supermarket property assets and are therefore not segmented.

2.3. Rental income

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

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

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

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

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

Leases classified under IFRS 9 as financial assets recognise income received from the tenant between finance income and a reduction of the asset value, based on the interest rate implicit in the lease.

2.4. Service charge income

Service charge income represents amounts billed to tenants for services provided in conjunction with leased properties based on budgeted service charge expenditure for a given property over a given service charge year. The Company recognises service charge income on a straight-line basis over the service charge term.

2.5. Service charge expense

Service charge expense represents a wide range of costs related to the operation and upkeep of the leased properties. These costs are allocated and charged to tenants based on agreed terms and calculations as outlined in the lease agreements with a portion being borne by the landlord where agreed.

2.6. Finance income

Finance income consists principally of interest receivable from interest rate derivatives and income from financial assets held at amortised cost. An adjustment is applied to reclassify amounts received upon periodic settlement of interest rate derivatives assets from change in fair value to interest income.

2.7. Finance expense

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

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

2.8. Administrative and other expenses

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

2.9. Dividends payable to Shareholders

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

2.10. Taxation

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

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

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

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

2.11. Investment properties

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

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

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

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

Initially, rental guarantees are recognised at their fair value and separated from the purchase price on initial recognition of the property being purchased. They are subsequently measured at their fair value at each reporting date with any movements recognised in the profit or loss.

2.12. Joint ventures

Interests in joint ventures, including the additional interest acquired during the year, are accounted for using the equity method of accounting as per IAS 28. The Group's joint ventures are arrangements in which the partners have joint control and rights to the net assets of the arrangement. Investments in joint ventures are carried in the statement of financial position at cost
as adjusted by post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment or share of income adjusted for dividends. In assessing whether a particular entity
is controlled, the Group considers the same principles as control over subsidiaries as described in
note 2.1.

2.13. Property, plant and equipment

Property, plant and equipment comprises of rooftop solar panels. Rooftop solar panels are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised over the useful lives of the equipment, using the straight-line method at a rate of between 25- 30 years depending on the useful economic life.

Residual value is reviewed at least at each financial year and there is no depreciable amount if
residual value is the same as, or exceeds, book value. Any gain or loss arising on the disposal of the rooftop solar panels are determined as the difference between the sales proceeds and the carrying amount of the asset.

2.14. Financial assets and liabilities

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

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

For assets where changes in cash flows are linked to changes in an inflation index, the Group updates the effective interest rate at the end of each reporting period and this is reflected in the carrying amount of the asset each reporting period until the asset is derecognised.

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

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

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

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

In the event of a modification to the terms of a loan agreement, the Group considers both the quantitative and qualitative impact of the changes. Where a modification is considered substantial, the existing facility is treated as settled and the new facility is recognised. Where the modification is not considered substantial, the carrying value of the liability is restated to the present value of the cash flows of the modified arrangement, discounted using the effective interest rate of the original arrangement. The difference is recognised as a gain or loss on refinancing through the statement of comprehensive income.

Derivative financial instruments and hedge accounting
The Group's derivative financial instruments currently comprise of interest rate swaps/caps. Derivatives designated as hedging instruments utilise hedge accounting under IAS 39. Derivatives not designated under hedge accounting are

accounted for under IFRS 9.

These instruments are used to manage the Group's cash flow interest rate risk.

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

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

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

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

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

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

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

Interest rate derivatives that do not qualify under hedge accounting are carried in the Group Statement of Financial Position at fair value, with changes in fair value recognised in the Group Statement of Comprehensive Income, net of interest receivable/payable from the derivatives shown in the finance income or expense line.

2.15. Equity instruments

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

Further details of the accounting for the proceeds from the issue of shares in the period are disclosed in note 22.

2.16. Fair value measurements and hierarchy

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

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

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

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

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

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

3. Gross rental income

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Rental income - freehold property	**53,119**	44,332
Rental income - long leasehold property	**42,669**	28,031
Lease surrender income	**35**	-
Gross rental income	**95,823**	**72,363**

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Property insurance recoverable	**585**	449
Service charge recoverable	**5,354**	1,637
Total property insurance and service charge income	**5,939**	**2,086**
Total property income	**101,762**	**74,449**

Included within rental income is a £2,512,000 (2022: £2,654,000) rent smoothing adjustment that arises as a result of IFRS 16 'Leases' requiring that rental income in respect of leases with rents increasing by a fixed percentage be accounted for on straight-line basis over the lease term. During the year this resulted in an increase in rental income and an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation.

On an annualised basis, rental income comprises £49,620,000 (2022: £34,420,000) relating to the Group's largest tenant and £27,194,000 (2022: £24,265,000) relating to the Group's second largest tenant. There were no further tenants representing more than 10% of annualised gross rental income during either year.

4. Service charge expense

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Property insurance expenses	**715**	639

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Service charge expenses	**5,803**	1,699
Total property insurance and service charge expense	**6,518**	**2,338**

5. Administrative and other expenses

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Investment Adviser fees (Note 27)	**10,292**	9,405
Directors' remuneration (Note 7)	**364**	269
Corporate administration fees	**1,108**	893
Legal and professional fees	**1,626**	2,249
Other administrative expenses	**2,039**	1,121
Total administrative and other expenses	**15,429**	**13,937**

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

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging fees for:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Audit of the Company's consolidated and individual financial statements	**260**	190
Audit of subsidiaries, pursuant to legislation	**95**	64
Total audit services	**355**	**254**
Audit related services: interim review	**38**	32
Total audit and audit related services	**393**	**286**

The Group's auditor also provided the following services in relation to corporate finance services:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Other non-audit services: corporate finance services in connection with the October 2021 and April 2022 placings	**-**	78
Other non-audit services: corporate finance services in connection with the transition to premium segment of LSE	**-**	45
Other non-audit services: corporate finance services	**65**	-
Total other non-audit services	**65**	**123**
Total fees charged by the Group's auditor	**458**	**409**

7. Directors' remuneration

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

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Directors' fees	**330**	245
Employer's National Insurance Contribution	**34**	24
Total Directors' remuneration	**364**	**269**

The highest paid Director received £75,000 (2022: £70,000) for services during the year.

8. Finance income and expense

Finance income	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Interest received on bank deposits	**53**	-
Income from financial assets held at amortised cost (note 16)	**483**	-
Finance income on unwinding of discounted receivable (note 17)	**2,376**	-
Finance income on settlement of interest rate derivatives (note 19)	**11,714**	-
Total finance income	**14,626**	**-**

Finance expense	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Interest payable on bank borrowings and hedging arrangements	**29,707**	9,565
Finance expense on settlement of interest rate derivatives (note 19)	**-**	296
Commitment fees payable on bank borrowings	**1,571**	969

Finance expense	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Amortisation of loan arrangement fees*	**8,037**	2,157
Amortisation of interest rate derivative premium (Note 19)	**-**	5
Total finance expense	**39,315**	**12,992**

*This includes a one-off exceptional charge in the year to 30 June 2023 of £1.52 million, relating to the acceleration of unamortised arrangement fees in respect of the modification of the Wells Fargo and Barclays/RBC facilities under IFRS 9. It also includes a one-off loan arrangement fee for the short-term J.P. Morgan loan of £4.0 million.

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

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Total interest expense on financial liabilities held at amortised cost	**37,744**	11,723
Fee expense not part of effective interest rate for financial liabilities held at amortised cost	**1,571**	969
Total finance expense	**39,315**	**12,692**

9. Taxation

Tax charge in profit or loss

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Corporation tax	-	-

B) Total tax expense

Tax charge in profit and loss as per the above	-	-
Share of tax expense of equity accounted joint ventures	**(400)**	987
Total tax (credit)/expense	**(400)**	**987**

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT regime exempts the profits of the Group's property rental business from UK corporation tax. To operate as a UK 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 (Loss)/profit before tax multiplied by the blended rate of corporation tax for the year of 20.4% (2022: 19%) to the total tax charge is as follows:

C) Reconciliation of the total tax charge for the year	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
(Loss)/Profit on ordinary activities before taxation	**(144,866)**	110,303
Theoretical tax at UK standard corporation tax rate of 20.4% (2022: 19%)	**(29,553)**	20,958
Effects of:		
Investment property and derivative revaluation not taxable	**49,680**	(4,146)
Disposal of interest rate derivative	**(587)**	-
Residual business losses	**4,428**	-
Other non-taxable items	**(8,807)**	-
REIT exempt income	**(15,161)**	(16,812)
Share of tax expense of equity accounted joint ventures	**(400)**	987
Total tax (credit)/expense for the year	**(400)**	**987**

UK REIT exempt income includes property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

No deferred tax asset has been recognised in respect of the Group's residual carried forward tax losses of £36.2 million as, given the Group's REIT status, it is considered unlikely that these losses will be utilised.

10. Earnings per share

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

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

The Company has also included an additional earnings measure called "Adjusted Earnings" and "Adjusted EPS." Adjusted earnings[53] is a performance measure used by the Board to assess the Group's financial performance and dividend payments. The metric adjusts EPRA earnings by deducting one-off items such as debt restructuring costs and the Joint Venture acquisition loan arrangement fee which are non-recurring in nature and adding back finance income on derivatives held at fair value through profit and loss. Adjusted Earnings is considered a better reflection of the measure over which the Board assesses the Group's trading performance and dividend cover.

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

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

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

The reconciliation of IFRS Earnings, EPRA Earnings and Adjusted Earnings is shown below:

	Year to 30 June 2023 £' 000	Year to 30 June 2022 £' 000
Net (loss) / profit attributable to ordinary shareholders	**(144,866)**	110,303
EPRA adjustments:		
Changes in fair value of investment properties and rental guarantees	**256,066**	(21,820)
Changes in fair value of interest rate derivatives measured at fair value through profit and loss	**(10,024)**	-
Profit on disposal of interest rate derivatives	**(2,878)**	-
Group share of changes in fair value of joint venture investment properties	**(11,486)**	6,021
Group share of gain on disposal of joint venture investment properties	**-**	(37,102)
Gain on disposal of investments in joint venture	**(19,940)**	-
Finance income received on interest rate derivatives held at fair value through profit and loss	**(9,671)**	-
EPRA earnings	**57,201**	57,402
Adjustments for:		
Finance income received on interest rate derivatives held at fair value through profit and loss	**9,671**	-
One-off restructuring costs in relation to the acceleration of unamortised arrangement fees	**1,518**	-
Joint Venture acquisition loan arrangement fee	**4,009**	-
Adjusted Earnings	**72,399**	57,402
	Number[1]	Number[1]
Weighted average number of ordinary shares	**1,242,574,505**	975,233,858

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

	Year to 30 June 2023 Pence per share ('p')	Year to 30 June 2022 Pence per share ('p')
Basic and Diluted EPS	**(11.7)**	11.3
EPRA adjustments:		
Changes in fair value of interest rate derivatives measured at FVTPL	**(0.8)**	-
Changes in fair value of investment properties and rent guarantees	**20.6**	(2.2)
Group share of changes in fair value of joint venture investment properties	**(0.9)**	0.6
Profit on disposal of interest rate derivatives	**(0.2)**	-
Group share of gain on disposal of joint venture investment properties	**(1.6)**	(3.8)
Finance income received on interest rate derivatives held at fair value through profit and loss	**(0.8)**	-
EPRA EPS	**4.6**	**5.9**
Adjustments for:		
Finance income received on interest rate derivatives held at fair value through profit and loss	**0.8**	-
One-off restructuring costs in relation to the acceleration of unamortised arrangement fees	**0.1**	-
Joint Venture acquisition loan arrangement fee	**0.3**	-
Adjusted EPRA EPS	**5.8**	5.9

11. Dividends

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Amounts recognised as a distribution to ordinary Shareholders in the year:		
Dividends paid	**74,328**	53,190

On 8 July 2022, the Board declared a fourth interim dividend for the year ended 30 June 2022 of 1.485 pence per share, which was paid on 22 August 2022 to Shareholders on the register on 15 July 2022.

On 21 September 2022 the Board declared a first interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 16 November 2022 to shareholders on the register on 7 October 2022.

On 12 January 2023, the Board declared a second interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 23 February 2023 to shareholders on the register on 20 January 2023.

On 11 April 2023, the Board declared a third interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 26 May 2023 to shareholders on the register on 21 April 2023.

On 6 July 2023, the Board declared a fourth interim dividend for the year ending 30 June 2023 of 1.5 pence per share, which was paid on 4 August 2023 to shareholders on the register on 13 July 2023. This has not been included as a liability as at 30 June 2023.

12. Investment properties

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

The independent valuer in forming its opinion on valuation makes a series of assumptions. As explained in note 2, all the valuations of the Group's investment property at 30 June 2023 are classified as 'level 3' in the fair value hierarchy defined in IFRS 13.

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

	Freehold £'000	**Long Leasehold £'000**	**Total £'000**
At 1 July 2022	903,850	657,740	1,561,590
Property additions	131,600	231,030	362,630
Capitalised acquisition costs	4,132	10,549	14,681
Revaluation movement	(140,142)	(113,069)	(253,211)
Valuation at 30 June 2023	**899,440**	**786,250**	**1,685,690**
At 1 July 2021	723,540	424,840	1,148,380
Property additions	150,363	220,447	370,810
Capitalised acquisition costs	7,825	9,778	17,603
Revaluation movement	22,122	2,675	24,797
Valuation at 30 June 2022	**903,850**	**657,740**	**1,561,590**

Reconciliation of Investment Property to Independent Property Valuation	**Year to 30 June 2023 £'000**	**Year to 30 June 2022 £'000**
Investment Property at fair value per Group Statement of Financial Position	1,685,690	1,561,590
Market Value of Property classified as Financial Assets held at amortised cost (Note 16)	7,210	9,960
Total Independent Property Valuation	**1,692,900**	**1,571,550**

There were nine property acquisitions during the year, of which two were purchased through the acquisition of a corporate structure, rather than acquiring the asset directly. All corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

Included within the carrying value of investment properties at 30 June 2023 is £8,724,000 (2022: £6,212,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 3. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value. The effect of this adjustment on the revaluation movement during the year is as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Revaluation movement per above	**(253,211)**	24,797
Rent smoothing adjustment (note 3)	**(2,512)**	(2,654)
Movements in associated rent guarantees and lease incentives	**(343)**	(323)
Change in fair value recognised in profit or loss	**(256,066)**	**21,820**

Valuation techniques and key unobservable inputs

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

The yield methodology approach is used when valuing the Group's properties which uses market rental values capitalised with a market capitalisation rate. This is sense-checked against the market comparable method (or market comparable approach) where a property's fair value is estimated based on comparable transactions in the market.

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

A decrease in ERV would decrease the fair value. A decrease in net initial yield would increase the
fair value.

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

Sensitivity analysis - impact of changes in net initial yields and rental values

	Year to 30 June 2023	Year to 30 June 2022
Range of Net Initial Yields	**4.7% - 7.4%**	3.8% - 6.6%
Range of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	**£0.3m - £5.1m**	£0.3m - £4.2m
Weighted average of Net Initial Yields	**5.6%**	4.6%
Weighted average of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	**£2.8m**	£2.6m

The table below analyses the sensitivity on the fair value of investment properties for changes in rental values and net initial yields:

	+2% Rental value £m	-2% Rental value £m	+0.5% Net Initial Yield £m	-0.5% Net Initial Yield £m
(Decrease)/increase in the fair value of investment properties as at 30 June 2023	**33.7**	**(33.7)**	**(139.9)**	**168.1**
(Decrease)/increase in the fair value of investment properties as at 30 June 2022	31.2	(31.2)	(81.1)	90.7

13. Subsidiaries

The entities listed in the following table were the subsidiary undertakings of the Company at 30 June 2023 all of which are wholly owned. All but those noted as Jersey entities below are subsidiary undertakings incorporated in England.

Company name	Holding type	Nature of business
Supermarket Income Investments UK Limited[+]	Direct	Intermediate parent company
Supermarket Income Investments (Midco2) UK Limited[+]	Direct	Intermediate parent company
Supermarket Income Investments (Midco3) UK Limited[+]	Direct	Intermediate parent company
Supermarket Income Investments (Midco4) UK Limited[+]	Direct	Intermediate parent company
SII UK Halliwell (MIDCO) LTD[+]	Direct	Intermediate parent company
Supermarket Income Investments UK (Midco6) Limited[+]	Direct	Intermediate parent company
Supermarket Income Investments UK (Midco7) Limited[+]	Direct	Intermediate parent company
SUPR Green Energy Limited[+]	Direct	Energy provision company
SUPR Finco Limited[+]	Direct	Holding company
Supermarket Income Investments UK (NO1) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO2) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO3) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO4) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO5) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO6) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO7) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO8) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO9) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO10) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO11) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO12) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO16) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO16a) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO16b) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO16c) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO17) Limited[+]	Indirect	Property investment
TPP Investments Limited[+]	Indirect	Property investment
T (Partnership) Limited[+]	Indirect	Property investment
The TBL Property Partnership	Indirect	Property investment
Supermarket Income Investments UK (NO19) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO20) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO21) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO22) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO23) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO24) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO25) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO26) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO27) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO28) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO29) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO30) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO31) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO32) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO33) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO34) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO35) Limited^[-]	Indirect	Property investment
Supermarket Income Investments UK (NO36) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO37) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO38) Limited[+]	Indirect	Property investment
Supermarket Income Investments UK (NO39) Limited**^[-]	Indirect	Property investment
Supermarket Income Investments UK (NO40) Limited*[+]	Indirect	Property investment

Company name	Holding type	Nature of business
Supermarket Income Investments UK (NO41) Limited*+	Indirect	Property investment
Supermarket Income Investments UK (NO42) Limited*+	Indirect	Property investment
Supermarket Income Investments UK (NO43) Limited*+	Indirect	Property investment
Supermarket Income Investments UK (NO44) Limited*+	Indirect	Property investment
Supermarket Income Investments UK (NO45) Limited*+	Indirect	Property investment
The Brookmaker Unit Trust**^-	Indirect	Property investment
Brookmaker Limited Partnership**#	Indirect	Property investment
Brookmaker (GP) Limited**#	Indirect	Property investment
Brookmaker (Nominee) Limited**#	Indirect	Property investment
Supermarket Income Investments UK (NO47) Limited*+	Indirect	Property investment
Horner (GP) Limited**^-	Indirect	Property investment
Horner (Jersey) Limited Partnership**^-	Indirect	Property investment
Horner REIT**^-	Indirect	Property investment
SII UK Halliwell (No1) LTD+	Indirect	Investment in Joint venture
SII UK Halliwell (No2) LTD+	Indirect	Investment in Joint venture
SII UK Halliwell (No3) LTD+	Indirect	Investment in Joint venture
SII UK Halliwell (No4) LTD+	Indirect	Investment in Joint venture
SII UK Halliwell (No5) LTD+	Indirect	Investment in Joint venture
SII UK Halliwell (No6) LTD+	Indirect	Investment in Joint venture

* New subsidiaries incorporated during the year ended 30 June 2023

** Subsidiaries acquired during the year ended 30 June 2023

^ Jersey registered entity

+ Registered office: 1 King William Street, London, United Kingdom, EC4N 7AF

- Registered office: 3rd Floor, Gaspe House, 66-72 Esplanade, St Helier, Jersey, JE1 2LH

Registered office: 8th Floor 1 Fleet Place, London, United Kingdom, EC4M 7RA

The following subsidiaries will be exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

Company name	Companies House Registration Number
SII UK Halliwell (MIDCO) LTD	12473355
SUPR Green Energy Limited	12890276
SII UK Halliwell (No1) LTD	12475261
SII UK Halliwell (No2) LTD	12475599
SII UK Halliwell (No3) LTD	12478141
SII UK Halliwell (No4) LTD	12604032
SII UK Halliwell (No5) LTD	12605175
SII UK Halliwell (No6) LTD	12606144
SUPR Finco Limited	14292760

14. Investment in joint ventures

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Opening balance	**177,140**	130,321
Additions*	**206,656**	3,518
Group's share of profit after tax	**23,232**	43,301
Disposal	**(407,028)**	-
Closing balance	**-**	**177,140**

**Included within additions are £190.7 million of further investments made in the joint venture during the year and £15.9 million of net liabilities acquired on acquisition of Horner (Jersey) LP*

In May 2020, the Group and British Airways Pension Trustees Limited (BAPTL) formed a 50:50 joint venture (the "joint venture"), Horner (Jersey) LP. Horner (Jersey) LP owns of 100% of the shares in Horner REIT, which acquired 100% of the issued share capital in Horndrift Limited for a combined total consideration of £102m plus costs on this date.

In February 2021, Horner REIT acquired 100% of the issued share capital in Cornerford Limited for a combined total consideration of £115m plus costs. Further amounts have been advanced since this date to fund operating costs and taxation liabilities on a pro-rata basis with the other parties.

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

On 12 January 2023, the Group purchased British Airways Pension Trustees Limited's (BAPTL) 50% interest in the joint venture for £188.8 million which resulted in the Group consolidating the following entities:

Entity	Address and principal place of business	Ownership
Jersey Horner (Jersey) LP	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by the Group

Entity	Address and principal place of business	Ownership
Horner GP	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by the Group
Horner REIT Limited	Third Floor, Liberation House, Castle Street, St Helier, Jersey, JE1 2LH	100% owned by Horner (Jersey) LP
United Kingdom Horndrift Limited	Langham Hall UK LLP, 1 Fleet Street, London, E4M 7RA	Previously owned 100% by Horner REIT Limited and disposed in March-23
Cornerford Limited	Langham Hall UK LLP, 1 Fleet Street, London, E4M 7RA	Previously owned 100% by Horner REIT Limited and disposed in March-23

The assets and liabilities recognised on acquisition were as follows:

	Fair value 12 Jan 2023 £'000
Current assets	
Investment in joint venture	200,887
Cash and cash equivalents	565
Trade and other receivables	19
Total current assets	**201,471**
Total assets	**201,471**
Current liabilities	
Trade and other payables	(9,078)
Total current liabilities	**(9,078)**
Total liabilities	**(9,078)**
Net assets	**192,393**
Negative goodwill on acquisition	**(3,565)**
Purchase consideration	**188,828**

Transaction related costs of £451,000 were incurred in respect of the above acquisition and were capitalised as part of the Group's carrying amount in the joint venture.

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

	Fair value 12 Jan 2023 £'000
Non-current assets	
Investment properties	-
Total non-current assets	-
Current assets	
Contractual receivable	277,379
Trade and other receivables	1,683
Investment properties held for sale	16,888
Cash and cash equivalents	-
Total current assets	**295,950**
Total assets	**295,950**
Current liabilities	
Debt securities in issue	(85,349)
Interest rate derivative	(351)
Deferred tax	(139)
Trade and other payables	(4,097)
Other liabilities	(5,127)
Total current liabilities	**(95,063)**
Total liabilities	**(95,063)**
Net assets	**200,887**

The acquisition of BAPTL's 50% interest in the joint venture, increased the Group's beneficial interest in the structure to 51%. Following the additional joint venture interest acquired during the year, the Group was deemed to control the Structure jointly, as any change to the contractual arrangements and deeds that regulate the Structure, required unanimous consent from all beneficial holders. Therefore, the equity method of accounting continued to be used until the disposal of the investment in joint venture which occurred during the year. Further detail is included in Note 2 of the financial information.

Atrato Halliwell Limited, affiliate of the Investment Adviser, has a carried interest entitlement over the investment returns from the Group's investment in the joint venture. Under the terms of the Limited Partnership Agreement, ("LPA"), once the Group and BAPTL received a return equal to their total investment in the joint venture plus an amount equivalent to a 10% per annum preferred return on that investment, Atrato Halliwell is entitled to share in any further cash returns to be distributed by the joint venture. Atrato Halliwell's entitlement to share in cash returns in excess of the preferred return increases depending on the extent of those cash returns, up to a maximum entitlement of £15,000,000.

Following the acquisition of BAPTL's 50% interest in the joint venture, BAPTL's £7.5 million share of carried interest to Atrato Halliwell crystalised and was paid at the point of acquisition, together with other deferred arrangement fees payable by BAPTL amounting to £0.6 million. The remaining £7.5 million is included within trade and other payables within Note 18 and was paid after the year end.

On 13 March 2023, the Group sold its interests in Horndrift and Cornerford Limited to Sainsbury's for gross proceeds of £430.8 million. which was structured in three separate tranches:

- The first tranche of £279.3 million was paid in cash on 17 March 2023
- The second tranche of £116.9 million was paid in cash after the balance sheet date on 10 July 2023
- The third tranche of £34.7 million was conditional on the sale of the remaining five stores in the portfolio.

During the year, the Group purchased two of the five stores for a gross purchase price of £25.2 million and received total proceeds from Sainsbury's of £15.0 million.

After the year end, the Group purchased two of the remaining three stores in the portfolio for a gross purchase price of £36.4 million and received proceeds from Sainsbury's of £18.2 million. It is expected that the one remaining store will be sold at vacant possession value.

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Total disposal consideration	**430,797**	-
Fair value adjustment to contractual receivable	**(2,579)**	-
Carrying amount of net assets sold	**(407,029)**	-
Transaction related costs	**(1,249)**	-
Profit on disposal of joint venture interest	**19,940**	**-**

Horndrift and Cornerford Limited's share of the aggregate amounts recognised in the consolidated statement of comprehensive income and statement of financial position for the period ending 13 March 2023 are as follows:

	Period to 13 March 2023 £'000	**Year to 30 June 2022 £'000**
Rental income	**3,904**	12,878
Finance income	**18,142**	15,988
Administrative and other expenses	**(1,844)**	(190)
Change in fair value of investment properties	**(4,256)**	(11,336)
Gain on disposal of investment properties	**27,228**	84,095
Operating profit	**43,174**	**101,435**
Finance expense	**(1,585)**	(1,996)
Profit before taxation	**41,589**	**99,439**
Tax charge for the period	**833**	(1,974)
Profit for the period/year	**42,422**	**97,465**
Group share of profit for the period / year	**23,232**	**43,301**

	As at 13 March 2023 £'000	**As at 30 June 2022 £'000**
Non-current assets		
Investment properties	-	37,005
Total non-current assets	**-**	**37,005**
Current assets		
Contractual receivable	559,268	530,481
Trade and other receivables	8,743	2,897
Investment properties held for sale	33,794	-
Cash and cash equivalents	-	-
Total current assets	**601,805**	**533,378**
Total assets	**601,805**	**570,383**
Current liabilities		
Debt securities in issue	169,901	176,243
Interest rate derivative	467	3,451
Deferred tax	353	4,196
Other liabilities	10,259	9,883
Trade and other payables	10,231	7,329
Total current liabilities	**191,211**	**201,102**
Total liabilities	**191,211**	**201,102**
Net assets	**410,594**	**369,281**
Negative goodwill on acquisition	**(3,565)**	**-**
Carrying amount of net assets at disposal	**407,029**	**369,281**

15. Financial assets held at fair value through profit or loss

Rental guarantees provided by the seller of an investment property are recognised as a financial asset when there is a valid expectation that the Group will utilise the guarantee over the contractual term. Rental guarantees are classified as financial assets at fair value through profit and loss in accordance with IFRS 9.

In determining the fair value of the rental guarantee, the Group makes an assessment of the expected future cash flows to be derived over the term of the rental guarantee and discounts these at the market rate. A review is performed on a periodic basis based on payments received and changes in the estimation of future cash flows.

The fair value of rental guarantees held by the Group are as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
At start of year	**283**	237
Additions	**1,000**	283
Fair value changes (including changes in estimated cash flows)	**92**	(326)
Collected during the year	**(1,375)**	89
Total financial assets held at fair value through profit and loss at end of year	**-**	**283**

16. Financial assets held at amortised cost

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
At start of year	**10,626**	-
Additions	**-**	10,626
Interest income recognised in profit and loss (note 8)	**483**	-
Lease payments received during the period	**(290)**	-
At end of period	**10,819**	**10,626**

On 8 June 2022, the Group acquired an Asda store in Carcroft, via a sale and leaseback transaction for £10.6 million, this has been recognised in the Statement of Financial Position as a Financial asset in accordance with IFRS 9. The financial asset is measured using the amortised cost model, which recognises the rental payments as financial income and reductions of the asset value based on the implicit interest rate in the lease. As at 30 June 2023 the market value of the property was estimated at £7.2 million.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 June 2023. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current year is immaterial. No reasonable possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

17. Trade and other receivables

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Other receivables	**4,723**	1,430
Receivable from joint venture disposal	**136,582**	-
Prepayments and accrued income	**850**	433
Total trade and other receivables	**142,155**	**1,863**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The expected loss rates are based on the Group's historical credit losses experienced over the period from incorporation to 30 June 2023. The historical loss rates are then adjusted for current and forward-looking information on macro-economic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior year are immaterial. No reasonable possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

The receivable following the disposal of the Joint venture receivable has been initially recognised at fair value which resulted in a discount of £2.6 million to the gross amounts to be received of £136.6 million and which is being amortised and recognised within finance income over the period to the receipt of cash from Sainsbury's. £135.1 million was received post year end and the remainder of the consideration is expected to be received on sale of the final property.

18. Trade and other payables

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Corporate accruals	**22,469**	8,958
VAT payable	**4,510**	1,719
Total trade and other payables	**26,979**	**10,677**

19. Interest rate derivatives

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Non-current asset: Interest rate swaps	**35,601**	5,114
Non-current asset: Interest rate cap	**1,597**	-
Current Asset: Interest rate swaps	**16,800**	-
Current Asset: Interest rate cap	**3,584**	-

The rate swaps are remeasured to fair value by the counterparty bank on a quarterly basis.

The fair value at the end of year comprises:	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
At start of year (net)	**5,114**	(447)
Interest rate derivative premium paid on inception	**44,255**	-
Amortisation of cap premium in the period (note 8)	**-**	(5)

The fair value at the end of year comprises:	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Disposal of interest rate derivatives	(2,878)	-
Changes in fair value of interest rate derivative in the year (P&L)	19,695	5,270
Changes in fair value of interest rate derivative in the year (OCI)	3,111	-
(Credit)/Charge to the income statement (P&L) (note 8)	(9,671)	-
(Credit)/Charge to the income statement (OCI) (note 8)	(2,043)	296
Fair value at end of year (net)	**57,583**	**5,114**

To partially mitigate the interest rate risk that arises as a result of entering into the floating rate debt facilities referred to in note 21, the Group has entered into derivative interest rate swaps in relation to the drawn Unsecured bank syndicate facilities ('the Unsecured swaps') and loan facilities with Bayerische Landesbank ('the BLB swaps') and Wells Fargo Bank ('the Wells swaps'). The Group has also entered into a derivative interest rate cap in relation to the drawn HSBC loan facility ('the HSBC cap').

A summary of these derivatives as at 30 June 2023 are shown in the table below:

Issuer	Derivative Type	Notional amount £m	Premium Paid £m	Mark to Market 30 June 2023	Swap Rate	Maturity Date
Barclays	Interest Rate Swap	£250.0	£26.7	£33.5	1.34%	Jul-27
Barclays	Interest Rate Swap	£100.0	£7.6	£8.5	1.34%	Jul-25
Barclays	Interest Rate Swap	£30.6	£1.2	£0.7	1.34%	Dec-23
HSBC	Interest Rate Cap	£96.5	£6.0	£5.2	1.12%	Aug-24
BLB	Interest Rate Swap	£37.3	£1.2	£2.7	2.64%	Mar-26
BLB	Interest Rate Swap	£22.2	£0.7	£1.6	2.64%	Mar-26
BLB	Interest Rate Swap	£27.4	£0.9	£2.0	2.64%	Mar-26
Wells Fargo	Interest Rate Swap	£30.0	-	£3.3	0.19%	Jul-25
Total		**£594.0**	**£44.3**	**£57.5**	**-**	**-**

On 21 March 2023, the Group announced the refinancing of the existing loan facilities with Bayerische Landesbank with a new three-year £86.9 million term loan replacing the existing tranches of the same amount. The Group closed out swaps on the same date as these coincided with the previous facility. The Group made a profit on disposal of £2.9 million on the swaps.

100% of the Group's outstanding debt as at 30 June 2023 was hedged through the use of fixed rate debt or financial instruments as at 30 June 2023 (2022: 61%). It is the Group's target to hedge at least 50% of the Group's total debt at any time using fixed rate loans or interest rate derivatives.

The derivatives have been valued in accordance with IFRS 13 by reference to interbank bid market rates as at the close of business on the last working day prior to each reporting date. The fair values
are calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties. The amounts and timing of future cash flows are projected on the basis of the contractual terms.

All interest rate derivatives are classified as level 2 in the fair value hierarchy as defined under IFRS 13 and there were no transfers to or from other levels of the fair value hierarchy during the year.

In accordance with the Group's treasury risk policy, the Group applies cash flow hedge accounting in partially hedging the interest rate risks arising on its Wells Fargo variable rate linked facility. Since the refinancing of the Bayerische Landesbank loan facility the Group no longer applies hedge accounting to the newly acquired swaps. Changes in the fair values of derivatives that are designated as cash flow hedges and are effective are recognised directly in the cash flow hedge reserve and included in other comprehensive income. Any ineffectiveness that may arise in this hedge relationship will be included in profit or loss.

All floating rate loans and interest rate derivatives are contractually linked to the Sterling Overnight Index Average ("SONIA").

Post year end, the Group extended the maturity of the interest rate derivatives by 12 months. The weighted average interest rate following the derivative changes is 3.1% inclusive of the margin. The Group also entered into a forward starting cap starting in August 2024 and terminating in July 2025 with a strike rate of 1.4%.

20. Bank borrowings

Amounts falling due within one year:	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Secured debt	-	-
Unsecured debt	62,090	-
Less: Unamortised finance costs	(234)	-
Bank borrowings per the consolidated statement of financial position	**61,856**	-
Amounts falling due after more than one year:		
Secured debt	291,551	352,213
Unsecured debt	318,508	-
Less: Unamortised finance costs	(4,450)	(3,667)
Bank borrowings per the consolidated statement of financial position	**605,609**	348,546
Total bank borrowings	**667,465**	**348,546**

A summary of the Group's borrowing facilities as at 30 June 2023 are shown below:

Lender	Facility	Expiry	Expiry*	Credit margin	Variable/hedged	Loan commitment £m	Amount drawn 30 June 2023 £m
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.65%	Cap - 1.12%	£96.5	£78.1

Lender	Facility	Expiry	Expiry*	Credit margin	Variable/hedged	Loan commitment £m	Amount drawn 30 June 2023 £m
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.65%	SONIA	£3.5	NIL
HSBC	Revolving credit facility	Aug 2024	Aug 2025	1.75%	SONIA	£50.0	NIL
Deka	Term Loan	Aug 2024	Aug 2026	1.35%	0.54%	£47.6	£47.6
Deka	Term Loan	Aug 2024	Aug 2026	1.35%	0.70%	£28.9	£28.9
Deka	Term Loan	Aug 2024	Aug 2026	1.40%	0.32%	£20.0	£20.0
BLB	Term Loan	Mar 2026	Mar 2026	1.65%	SWAP - 2.64%	£86.9	£86.9
Wells Fargo	Revolving credit facility	Jul 2025	Jul 2027	2.00%	SWAP - 0.18%	£30.0	£30.0
Wells Fargo	Revolving credit facility	Jul 2025	Jul 2027	2.00%	SONIA	£9.0	NIL
Barclays	Revolving credit facility	Jan 2024	Jan 2026	1.50%	SONIA	£77.5	NIL
Syndicate	Unsecured RCF	Jul 2027	Jul 2029	1.50%	SWAP - 1.34%	£250.0	£218.5
Syndicate	Unsecured Term Loan	Jul 2025	Jul 2027	1.50%	SWAP - 1.34%	£100.0	£100.0
Syndicate	Unsecured Term Loan	Jan 2024	Jan 2025	1.50%	SWAP - 1.34%	£30.6	£30.6
Syndicate	Unsecured Term Loan	Jan 2024	Jan 2025	1.50%	SONIA	£31.5	£31.5
Total						**£862.0**	**£672.1**

*Includes extension options that can be utilised following approval from all parties

In July 2022, the Group announced the arrangement of a new £412.1 million unsecured credit facility with a bank syndicate comprising Barclays, Royal Bank of Canada, Wells Fargo and Royal Bank of Scotland International as summarised above. This was partially used to reduce the Wells Fargo and and Barclays/RBC facilities. This led to loan modifications under IFRS 9 resulting in an acceleration of loan arrangement fees of £1.52 million.

In January 2023, the Group entered into a short-term debt facility provided by J.P. Morgan of £196.5 million to fund the acquisition of the additional interest in the Joint Venture. The Facility had a margin of 1.5% over SONIA and an arrangement fee of 2.0%. This facility was repaid in March 2023.

The Group has been in compliance with all of the financial covenants across the Group's bank facilities as applicable throughout the periods covered by this financial information.

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

The Group's borrowings carried at amortised cost are considered to be approximate to their fair value.

Post year end, the Group reduced the HSBC facility to £50.0 million from £150.0 million, cancelled the Barclays/RBC facility and Unsecured term loan of £77.5 million and £62.1 million respectively and entered into a new £67.0 million facility with SMBC Bank International PLC, for more information see note 28.

21. Categories of financial instruments

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Financial assets		
Financial assets at amortised cost:		
Lease Receivables	10,819	10,626
Cash and cash equivalents	37,481	51,200
Trade and other receivables	141,305	1,430
Financial assets at fair value:		
Rent guarantees	-	283
Interest rate derivative	54,278	-
Derivatives in effective hedges:		
Interest rate derivative	3,304	5,114
Total financial assets	**247,187**	**68,653**
Financial liabilities		
Financial liabilities at amortised cost:		
Secured debt	289,736	348,546
Unsecured debt	377,729	-
Trade and other payables	22,469	8,958
Total financial liabilities	**689,934**	**357,504**

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

Financial risk management
Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to minimise the effect of these risks, for example by using interest rate cap and interest rate swap derivatives to partially mitigate exposure to fluctuations in interest rates, as described in note 19.

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

Market risk

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

The Group's interest-bearing financial instruments comprise cash and cash equivalents and bank borrowings. Changes in market interest rates therefore affect the Group's finance income and costs, although the Group has purchased interest rate derivatives as described in note 19 in order to partially mitigate the risk in respect of finance costs. The Group's sensitivity to changes in interest rates, calculated on the basis of a ten-basis point increase in the three-month SONIA daily rate, was as follows:

	Year to 30 June 2023 £'000	Year to 30 June 2022 £'000
Effect on profit (Increase)/decrease	(1,383)	413
Effect on other comprehensive income and equity (increase)	(58)	(223)

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

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

Inflation risk arises from the impact of inflation on the Group's income and expenditure. The majority of the Group's passing rent at 30 June 2023 is subject to inflation-linked rent reviews. Consequently, the Group is exposed to movements in the Retail Prices Index ("RPI"), which is the relevant inflation benchmark. However, all RPI-linked rent review provisions provide those rents will only be subject to upwards review and never downwards. As a result, the Group is not exposed to a fall in rent in deflationary conditions.

The Group does not expect inflation risk to have a material effect on the Group's administrative expenses, with the exception of the investment advisory fee which is determined as a function of the reported net asset value of the Group.

Credit risk

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

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

The credit risk of the receivable from the disposal of the Joint Venture is considered low and this is supported by the fact that the majority of this was received shortly after the year end.

Liquidity risk

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

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

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

The following table shows the maturity analysis for financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of non-derivative financial instruments, including future interest payments, based on the earliest date on which the Group can be required to pay and assuming that the SONIA daily rate remains at the 30 June 2023 rate. Interest rate derivatives are shown at fair value and not at their gross undiscounted amounts.

As at 30 June 2023	**Less than one year £'000**	**One to two years £'000**	**Two to five years £'000**	**More than five years £'000**	**Total £'000**
Financial assets:					
Cash and cash equivalents	37,481	-	-	-	37,481
Trade and other receivables	141,305	-	-	-	141,305
Amortised cost asset	290	290	908	74,930	76,418
Interest rate derivatives	20,384	20,564	16,635	-	57,583
Total financial assets	**199,460**	**20,854**	**17,543**	**74,930**	**312,787**
Financial liabilities:					
Bank borrowings	81,545	94,080	549,575	-	725,200
Trade payables and other payables	22,469	-	-	-	22,469
Total financial liabilities	**104,014**	**94,080**	**549,575**	**-**	**747,669**

As at 30 June 2022	Less than one year £'000	One to two years £'000	Two to five years £'000	More than five years £'000	**Total** £'000
Financial assets:					
Cash and cash equivalents	51,200	-	-	-	51,200
Trade and other receivables	1,430	-	-	-	1,430
Amortised cost asset	290	290	870	76,415	77,865
Rent guarantees	283	-	-	-	283
Interest rate derivatives	-	843	4,271	-	5,114
Total financial assets	**53,203**	**1,133**	**5,141**	**76,415**	**135,892**

Financial liabilities:					
Bank borrowings	9,335	205,679	156,510	-	371,524
Trade payables and other payables	8,958	-	-	-	8,958
Interest rate derivatives	-	-	-	-	-
Total financial liabilities	**18,293**	**205,679**	**156,510**	**-**	**380,482**

Capital risk management
The Board's primary objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its debt covenants so as to safeguard secured assets and avoid financial penalties.

Bank borrowings on secured facilities are secured on the Group's property portfolio by way of fixed charges over property assets and over the shares in the property-owning subsidiaries and any intermediary holding companies of those subsidiaries.

At 30 June 2023, the capital structure of the Group consisted of bank borrowings (note 20), cash and cash equivalents, and equity attributable to the Shareholders of the Company (comprising share capital, retained earnings and the other reserves referred to in notes 22 and 23).

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

Reconciliation of financial liabilities relating to financing activities

	Total bank borrowings £'000	**Interest and commitment fees payable £'000**	**Interest rate derivatives £'000**	**Total £'000**
As at 1 July 2022	**348,546**	**1,939**	**(5,114)**	**345,371**
Cash flows:				
Debt drawdowns in the year	912,114	-	-	912,114
Debt repayments in the year	(598,486)	-	-	(598,486)
Interest and commitment fees paid	-	(24,116)	-	(24,116)
Loan arrangement fees paid	(5,010)	-	-	(5,010)
Interest rate premium paid	-	-	(44,255)	(44,255)
Interest rate derivative disposal	-	-	2,878	2,878
Non-cash movements:				
Finance costs in the statement of comprehensive income	10,301	29,014	(22,806)	16,509
Fair value changes	-	-	11,714	11,714
As at 30 June 2023	**667,465**	**6,837**	**(57,583)**	**616,719**
As at 1 July 2021	**409,684**	**1,634**	**447**	**411,765**
Cash flows:				
Debt drawdowns in the year	402,922	-	-	402,922
Debt repayments in the year	(464,029)	-	-	(464,029)
Interest and commitment fees paid	-	(10,527)	-	(10,527)
Loan arrangement fees paid	(2,188)	-	-	(2,188)
Non-cash movements:				
Finance costs in the statement of comprehensive income	2,157	10,832	5	12,994
Fair value changes	-	-	(5,566)	(5,566)
At 30 June 2022	**348,546**	**1,939**	**(5,114)**	**345,371**

Movements in respect to share capital are disclosed in note 22 below.

The interest and commitment fees payable are included within the corporate accruals balance in note 18. Cash flow movements are included in the consolidated statement of cash flows and the non-cash movements are included in note 8. The movements in the interest rate derivative financial liabilities can be found in note 19.

22. Share capital

	Ordinary Shares of 1 pence Number	**Share capital £'000**	**Share premium reserve £'000**	**Capital reduction reserve £'000**	**Total £'000**
As at 1 July 2022	**1,239,868,420**	**12,399**	**494,174**	**778,859**	**1,285,432**
Scrip Dividends issued and fully paid - 22 August 2022	1,898,161	19	2,316	-	2,335
Scrip Dividends issued and fully paid - 16 November 2022	866,474	9	869	-	878
Scrip Dividends issued and fully paid - 23 February 2023	729,198	7	721	-	728
Scrip Dividends issued and fully paid - 26 May 2023	2,876,932	28	2,395	-	2,423
Share issue costs	-	-	(89)	-	(89)
Dividend paid in the period (note 11)	-	-	-	(74,328)	(74,328)
As at 30 June 2023	**1,246,239,185**	**12,462**	**500,386**	**704,531**	**1,217,379**
As at 1 July 2021	**810,720,168**	**8,107**	**778,859**	**-**	**786,966**

	Ordinary Shares of 1 pence Number	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Total £'000
Scrip Dividends issued and fully paid - 20 August 2021	300,468	3	348	-	351
Ordinary shares issued and fully paid - 22 October 2021	173,913,043	1,740	198,261	-	200,001
Scrip dividends issued and fully paid - 16 November 2021	500,750	5	578	-	583
Share premium cancelled during the year and transferred to capital reduction reserve	-	-	(778,859)	778,859	-
Scrip dividends issued and fully paid - 25 February 2022	111,233	1	136	-	137
Ordinary shares issued and fully paid - 29 April 2022	253,492,160	2,535	304,191	-	306,726
Scrip dividends issued and fully paid - 27 May 2022	830,598	8	1,026	-	1,034
Share issue costs	-	-	(10,366)	-	(10,366)
As at 30 June 2022	**1,239,868,420**	**12,399**	**494,174**	**778,859**	**1,285,432**

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

Scrip dividends were issued on 22 August 2022, 16 November 2022, 23 February 2023 and 26 May 2023 at a reference price of £1.23, £1.01, £1.00 and £0.84 per share respectively. The Company issued a combined total of 6,370,765 shares under the scrip dividend programme during the year. The consideration received (net of share issue costs) in excess of the par value of the ordinary shares issued of £6.3 million was credited to the share premium reserve.

Ordinary Shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary Shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights. The aggregate ordinary shares in issue at 30 June 2023 total was 1.25 billion.

23. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2023 are as follows:

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

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

24. Capital commitments

The Group had no capital commitments outstanding as at 30 June 2023 and 30 June 2022.

25. Operating leases

The Group's principal assets are investment properties which are leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 30 June 2023 is 13.6 years (2022: 15.1 years). The leases contain predominately fixed or inflation-linked uplifts.

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

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Year 1	**100,156**	77,438
Year 2	**98,941**	77,831
Year 3	**98,614**	77,088
Year 4	**97,552**	76,861
Year 5	**97,177**	75,994
Year 6-10	**452,219**	375,951
Year 11-15	**310,150**	290,613
Year 16-20	**94,875**	127,574
Year 21-25	**23,358**	25,144
More than 25 years	**12,743**	14,846
Total	**1,385,785**	**1,219,340**

26. Net asset value per share

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

The European Public Real Estate Association (EPRA) publishes guidelines for the calculation of three measures of NAV to enable consistent comparisons between property companies, which were updated in the prior year and took effect from 1 January 2020. The Group uses EPRA Net Tangible Assets ("EPRA NTA") as the most meaningful measure of long-term performance and the measure which is being adopted by the majority of UK REITs, establishing it as the industry standard benchmark. It excludes items that are considered to have no impact in the long-term, such as the fair value of derivatives.

NAV and EPRA NTA per share calculation are as follows:

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Net assets per the consolidated statement of financial position	**1,217,726**	1,432,455
Contractual fulfilment intangible assets	**-**	(93)
Fair value of financial assets at amortised cost	**(3,609)**	(666)
Fair value of interest rate derivatives	**(57,583)**	(5,114)
EPRA NTA	**1,156,534**	**1,426,582**

Ordinary shares in issue at 30 June	1,246,239,185	1,239,868,420
NAV per share - Basic and diluted (pence)	98p	116p
EPRA NTA per share (pence)	93p	115p

27. Transactions with related parties

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

a. Directors

Directors' fees

Nick Hewson, Chair of the Board of Directors of the Company, is paid fees of £75,000 per annum, with the other Directors each being paid fees of £52,500 per annum. Jon Austen is paid an additional £9,000 per annum for his role as chair of the Company's Audit Committee, Vince Prior is paid an additional £4,000 per annum for his role as chair of the Company's Nomination Committee and £5,000 for his role as Senior Independent Director. Cathryn Vanderspar is paid an additional £5,000 for her role as Chair of the Remuneration Committee. Frances Davies is paid an additional £5,000 for her role as Chair of the ESG Committee.

The total remuneration payable to the Directors in respect of the current year and previous year are disclosed in note 7.

Directors' interests

Details of the direct and indirect interests of the Directors and their close families in the ordinary shares of one pence each in the Company at 30 June 2023 were as follows:

- Nick Hewson: 1,263,309 shares (0.11% of issued share capital)
- Jon Austen: 305,339 shares (0.02% of issued share capital)
- Vince Prior: 213,432 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 125,802 (0.01% of issued share capital)
- Frances Davies: 24,774 (0.00% of issued share capital)
- Sapna Shah: 28,951 (0.00% of issued share capital)

Details of the direct and indirect interest of the Directors and their close families in the ordinary shares of one pence each in the Company at the date of signing the accounts were as follows:

- Nick Hewson: 1,263,309 shares (0.11% of issued share capital)
- Jon Austen: 305,339 shares (0.02% of issued share capital)
- Vince Prior: 213,432 shares (0.02% of issued share capital)
- Cathryn Vanderspar: 125,802 (0.01% of issued share capital)
- Frances Davies: 36,774 (0.00% of issued share capital)
- Sapna Shah: 28,951 (0.00% of issued share capital)

b. Investment Adviser

Investment advisory and accounting fees

The investment adviser to the Group, Atrato Capital Limited (the Investment Adviser), is entitled to certain advisory fees under the terms of the Investment Advisory Agreement (the 'Agreement') dated 14 July 2021.

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

Until the Adjusted Net Value of the Group exceeds £1,500 million, the entitlements to advisory fees can be summarised as follows:

- Monthly Management Fee payable monthly in arrears: 1/12th of 0.7125% per calendar month of Adjusted Net Asset Value up to or equal to £500 million, 1/12th of 0.5625% per calendar month of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million and 1/12th of 0.4875% per calendar month of Adjusted Net Asset Value above £1,000 and up to or equal to £1,500 million.
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million, 0.09375% of Adjusted Net Asset Value above £500 million and up to or equal to £1,000 million and 0.08125% of Adjusted Net Asset Value above £1,000 million and up to or equal to £1,500 million.

For the year to 30 June 2023 the total advisory fees payable to the Investment Adviser were £10,292,302 (2022: £9,404,938) of which £1,845,144 (2022: £1,446,246) is included in trade and other payables in the consolidated statement of financial position.

The Investment Adviser is also entitled to an annual accounting and administration service fee equal to: £52,788; plus (i) £4,279 for any indirect subsidiary of the Company and (ii) £1,661 for each direct subsidiary of the Company. A full list of the Company and its direct and indirect subsidiary undertakings is listed in Note 13 of this financial information.

For the year to 30 June 2023 the total accounting and administration service fee payable to the Investment Adviser was £297,475 (2022: £237,559) of which £83,614 (2022: £81,833) is included in trade and other payables in the consolidated statement of financial position.

Introducer Services

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

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

- Commission basis: 1% of total subscription in respect of ordinary shares subscribed for
by any prospective investor introduced by Atrato Partners.

For the year to 30 June 2023 the total introducer fees payable to the affiliate of the Investment Adviser were £nil (2022: £271,239).

Interest in shares of the Company
Details of the direct and indirect interests of the Directors of the Investment Adviser and their close families in the ordinary shares of one pence each in the Company at 30 June 2023 were as follows:

- Ben Green: 1,876,376 shares (0.15% of issued share capital)
- Steve Windsor: 1,698,928 shares (0.14% of issued share capital)
- Steven Noble: 232,255 shares (0.02% of issued share capital)
- Natalie Markham: 62,679 shares (0.01% of issued share capital)

Carried interest held in the Group's joint venture
Under the terms of the Horner (Jersey) LP (the "JV") Limited Partnership Agreement ("LPA"), an affiliate of the Investment Adviser, Atrato Halliwell Limited (the "Carry Partner"), had a carried interest entitlement over the investment returns from the JV's investment in the Structure. Further details regarding the estimated value of the Carry Partner's interest in the JV are included in note 14.

Carried interest payments are only payable to the extent that distributions are made from the JV to the Group. On the acquisition of the additional Joint Venture interest during the year, the carried interest was considered to have crystalised and became payable. £7.5 million was paid in relation to the settlement of the carry interest of the additional joint venture interest acquired during the year and was recognised as a financing cashflow within the cashflow statement. The existing interest of £7.5 million payable is included in corporate accruals within Note 18 and was settled subsequent to the year end.

c. Other related parties
During the year, SUPR Green Energy Limited received a credit note from Evo Energy Limited for solar panels purchased in June 2021 of £155,142.52. These panels that were being held by Evo Energy Limited were sold to Sonne Solar Limited, a subsidiary of Atrato Onsite Energy PLC, a company is advised by an affiliate of the Investment Adviser. As 30 June 2023, the balance was still outstanding, and was received in cash after the year end.

28. Subsequent events

Debt financing
- In July 2023, the Group cancelled its 62.1 million unsecured term loan with the unsecured banking syndicate.
- In September 2023, the Group announced that its £150.0 million revolving credit facility with HSBC was refinanced with a new £50.0 million, secured three-year RCF with a £75 million accordion option. The new facility has two one-year extension options and a margin of 170 bps over SONIA.
- In September 2023, the Group announced the cancellation of the Barclays/RBC facility of £77.5 million.
- In September 2023, the Group announced the arrangement of a new £67.0 million unsecured term loan facility with SMBC Bank International PLC at a margin of 1.4% over SONIA. The term of the loan is for three-years with two further one-year extension options.
- In September 2023, the Group extended £50.0 million of its £100.0 million unsecured term loan with the unsecured banking syndicate by one year to July 2026.

Hedging
- In September 2023, the Group adjusted its interest rate derivatives held at the year end to extend the maturity of the derivatives by 12 months. The Group's drawn debt is fully hedged at an interest rate of 3.1% (including margin) with a weighted average term of 4 years (including extension options).

Acquisitions
- In July 2023, the Group announced the acquisition of two Sainsbury's stores from the SRP for £36.4 million (excluding acquisition costs). Sainsbury's entered into new 15-year leases on these stores with five yearly open market rent reviews and a tenant break option at year ten.

UNAUDITED SUPPLEMENTARY INFORMATION

Notes to EPRA and other Key Performance Indicators

1. EPRA Earnings and Adjusted Earnings per Share

For the period from 1 July 2022 to 30 June 2023	Net profit attributable to ordinary Shareholders £'000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Net (loss)/profit attributable to ordinary Shareholders	(144,866)	1,242,574,505	(11.7)
Adjustments to remove:			
Changes in fair value of investment properties and associated rent guarantees	256,066	-	20.6
Changes in fair value of interest rate derivatives measured at FVTPL	(10,024)	-	(0.8)
Profit on disposal of interest rate derivatives	(2,878)	-	(0.2)
Group share of changes in fair value of joint venture investment properties	(11,486)	-	(0.9)
Profit on disposal of groups interest in joint venture	(19,940)	-	(1.6)
Finance income received on interest rate derivatives held at fair value through profit and loss	(9,671)	-	(0.8)
EPRA earnings	**57,201**	**1,242,574,505**	**4.6**
Add finance income received on interest rate derivatives held at fair value through profit and loss	9,671	**-**	0.8
Add accelerated finance costs	1,518	**-**	0.1
Add Joint Venture acquisition loan arrangement fee	4,009	**-**	0.3
Adjusted EPRA earnings	**72,399**	**1,242,574,505**	**5.8**

1 Based on the weighted average number of ordinary shares in issue in the year ended 30 June 2023.

For the period from 1 July 2021 to 30 June 2022	Net profit attributable to ordinary Shareholders £'000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Net profit attributable to ordinary Shareholders	115,869	975,233,858	11.9p
Adjustments to remove:			

For the period from 1 July 2021 to 30 June 2022	Net profit attributable to ordinary Shareholders £'000	Weighted average number of ordinary shares[1] Number	Earnings/ per share Pence
Changes in fair value of interest rate derivatives	(5,566)	-	(0.6p)
Changes in fair value of investment properties and associated rent guarantees	(21,820)	-	(2.2p)
Group share of changes in fair value of joint venture investment properties	6,021	-	0.6p
Group share of negative goodwill from joint venture investment	(37,102)	-	(3.8p)
EPRA EPS	**57,402**	**975,233,858**	**5.9p**

2 Based on the weighted average number of ordinary shares in issue in the year ended 30 June 2022.

2. EPRA NTA per share

EPRA NTA is considered to be the most relevant measure for the Group and is now the primary measure of net assets, replacing the previously reported EPRA Net Asset Value metric. For the current period EPRA NTA is calculated as net assets per the consolidated statement of financial position excluding the fair value of interest rate derivatives.

30 June 2023	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to ordinary Shareholders	**1,217,726**	**1,217,726**	**1,217,726**
Fair value of Financial asset held at amortised cost	(3,609)	(3,609)	(3,609)
Fair value of interest rate derivatives	(57,583)	(57,583)	-
Intangibles	-	-	-
Purchasers' costs	-	122,990	-
Fair value of debt	-	-	4,876
EPRA metric	1,156,534	1,279,524	1,218,993
EPRA metric per share	93p	103p	98p

30 June 2022	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to ordinary Shareholders	**1,432,455**	**1,432,455**	**1,432,455**
Fair value of interest rate derivatives	(5,114)	(5,114)	-
Fair value of Financial asset held at amortised cost	(666)	(666)	(666)
Intangibles	(93)	-	-
Purchasers' costs	-	113,935	-
Fair value of debt	-	-	4,320
EPRA metric	**1,426,582**	**1,540,610**	**1,436,109**
EPRA metric per share	115p	124p	**116p**

3. EPRA Net Initial Yield (NIY) and EPRA "topped up" NIY

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Investment Property - wholly owned (note 12)	**1,685,690**	1,561,590
Investment Property - share of joint ventures	**-**	266,500
Completed Property Portfolio	**1,685,690**	**1,828,090**
Allowance for estimated purchasers' costs	**122,990**	133,380
Grossed up completed property portfolio valuation (B)	**1,808,680**	**1,961,470**
Annualised passing rental income - wholly owned	**99,910**	77,230
Annualised passing rental income - share of joint venture	**-**	13,372
Annualised non-recoverable property outgoings	**(1,117)**	(400)
Less: contracted rent under rent free periods	**-**	-
Annualised net rents (A)	**98,793**	**90,202**
Rent expiration of rent-free periods and fixed uplifts	**447**	56
Topped up annualised net rents (C)	**99,240**	**90,258**
EPRA NIY (A/B)	**5.46%**	**4.60%**
EPRA "topped up" NIY (C/B)	**5.49%**	**4.60%**

All rent free periods expire within the year to 30 June 2024

4. EPRA Vacancy Rate

EPRA Vacancy Rate	**As at 30 June 2023 £'000**	As at 30 June 2022 £'000
Estimated rental value of vacant space	**439**	188
Estimated rental value of the whole portfolio	**100,797**	77,237
EPRA Vacancy Rate	**0.4%**	**0.2%**

The EPRA vacancy rate is calculated as the ERV of the unrented, lettable space as a proportion of the total rental value of the direct Investment Property portfolio. This is expected to continue to be a highly immaterial percentage as the majority of the portfolio is let to the largest supermarket operators in the UK.

5. EPRA Cost Ratio

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Administration expenses per IFRS	**15,429**	**13,937**
Service charge income	**(5,939)**	(2,086)
Service charge costs	**6,518**	2,338
Net Service charge costs	**579**	**252**
Share of joint venture expenses	**938**	95
Total costs (including direct vacant property costs) (A)	**16,946**	**14,284**
Vacant property costs	**(328)**	(99)
Total costs (excluding direct vacant property costs) (B)	**16,618**	**14,185**
Gross rental income per IFRS	**95,823**	**72,363**
Less: service charge components of gross rental income	-	-
Add: Share of Gross rental income from Joint Ventures	13,529	14,423
Gross rental income (C)	**109,352**	**86,786**
EPRA Cost ratio (including direct vacant property costs) (A/C)	**15.50%**	**16.46%**
EPRA Cost ratio (excluding vacant property costs) (B/C)	**15.20%**	**16.34%**

1. The Company does not have any overhead costs capitalised as it has no assets under development.

6. EPRA LTV

The Group voluntarily adopted the EPRA issued new best practice reporting guidelines in the year ending 30 June 2023, incorporating the new measure of loan to value: EPRA Loan-to-Value (EPRA LTV) and is defined as net debt divided by total property market value.

The table below illustrates the reconciliation of the numbers under the new measures, where prior year comparative figures have also been restated in line with the new EPRA methodology.

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Group Net Debt		
Borrowings from financial institutions	667,465	348,546
Net payables	-	24,893
Less: Cash and cash equivalents	(37,481)	(51,200)
Group Net Debt Total (A)	**629,984**	**322,239**
Group Property Value		
Investment properties at fair value	1,685,690	1,561,590
Intangibles	-	93
Net receivables	93,620	-
Financial assets	10,819	10,626
Total Group Property Value (B)	**1,790,129**	**1,572,309**
Group LTV (A-B)	**35.19%**	**20.49%**
Share of Joint Ventures Debt		
Bond loans	-	88,121
Net payables	-	822
JV Net Debt Total (A)	**-**	**88,943**
Group Property Value		
Owner-occupied property		
Investment properties at fair value	-	277,407
Total JV Property Value (B)	**-**	**277,407**
JV LTV (A-B)	**0.00%**	**32.06%**
Combined Net Debt (A)	629,984	411,182
Combined Property Value (B)	1,790,129	1,849,717
Combined LTV (A-B)	**35.19%**	**22.23%**

7. EPRA Like-for-Like Rental Growth

Sector	Year ended 30 June 2023 £'000	Year ended 30 June 2022 £'000	Like-for-Like rental growth %
UK	**62,688**	**61,059**	**2.7%**

The like-for-like rental growth is based on changes in net rental income for those properties which have been held for the duration of both the current and comparative reporting. This represents a portfolio valuation, as assessed by the valuer of £ 1.03 billion (30 June 2022: £1.19 billion).

8. EPRA Property Related Capital Expenditure

	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Group		
Acquisitions	377,311	388,696
Development		
Investment properties		

Group Total CapEx	377,311	388,696
Joint Venture		
Acquisitions	-	-
Development	-	-
Investment properties	-	-
Joint Venture CapEx	-	-
Total CapEx	**377,311**	**388,696**

Acquisitions relate to purchase of investment properties in the year and includes capitalised acquisition costs. There has been no capital expenditure on the investment properties within the portfolio and no capitalised development expenditure has been incurred in the year or prior year.

9. Total Shareholder Return

Total Shareholder Return	Year to 30 June 2023 Pence per share ('p')	Year to 30 June 2022 Pence per share ('p')
Share price at start of the year	**119.50**	117.50
Share price at the end of the year	**73.00**	119.50
Increase in share price	**(46.50)**	2.00
Dividends declared for the year	**6.00**	5.94
Increase in share price plus dividends	**(40.50)**	**7.94**
Share price at start of year	**119.50**	**117.50**
Total Shareholder Return	**(34%)**	**7%**

10. Net loan to value ratio

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

Net loan to value	As at 30 June 2023 £'000	As at 30 June 2022 £'000
Bank borrowings	**667,465**	348,546
Less cash and cash equivalents	**(37,481)**	(51,200)
Net borrowings	**629,984**	297,346
Investment properties valuation	**1,685,690**	1,561,590
Net loan to value ratio	**37%**	**19%**

11. Annualised passing rent

Annualised passing rent is the annualised cash rental income being received as at the stated date.

GLOSSARY

AGM Annual General Meeting

AIFMD Alternative Investment Fund Managers Directive

Direct Portfolio Wholly Owned Properties held by the Group

EPRA European Public Real Estate Association

EPS Earnings per share, calculated as the profit for the period after tax attributable to members of the parent company divided by the weighted average number of shares in issue in the period

FRI A lease granted on an FRI basis means that all repairing and insuring obligations are imposed on the tenant, relieving the landlord from all liability for the cost of insurance and repairs

IFRS UK adopted accounting standards in conformity with the requirements of the Companies Act 2006

IPO An initial public offering (IPO) refers to the process of offering shares of a corporation to the public in a new stock issuance

LTV Loan to Value: the outstanding amount of a loan as a percentage of property value

NAV Net Asset Value

Net Initial Yield Annualised net rents on investment properties as a percentage of the investment property valuation, less assumed purchaser's costs of 6.8%

Net Loan to Value or Net LTV LTV calculated on the gross loan amount less cash balances

Omnichannel Stores offering both instore picking and online fulfilment

AGM	Annual General Meeting
REIT	Real Estate Investment Trust
Running yield	The anticipated Net Initial Yield at a future date, taking account of any rent reviews in the intervening period
Sainsbury's Reversion Portfolio (SRP)	A portfolio consisting of the freehold interest in 26 geographically diverse high quality Sainsbury's supermarkets
Total Shareholder Return (TSR)	The movement in share price over a period plus dividends declared for the same period expressed as a percentage of the share price at the start of the Period
WAULT	Weighted Average Unexpired Lease Term. It is used by property companies as an indicator of the average remaining life of the leases within their portfolios

CONTACT INFORMATION

Directors	**Nick Hewson** (Non-Executive Chair) **Vince Prior** (Chair of Nomination Committee & Senior Independent Director) **Jon Austen** (Chair of Audit Committee) **Cathryn Vanderspar** (Chair of Remuneration Committee) **Frances Davies** (Chair of ESG Committee) **Sapna Shah** (Chair of Management Engagement Committee)
Company Secretary	**Hanway Advisory** 1 King William Street, London, EC4N 7AF
Registrar	**Link Asset Services** The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
AIFM	**JTC Global AIFM Solutions Limited** Ground floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, Channel Islands, GY1 2HT
Investment Adviser	**Atrato Capital Limited** 36 Queen Street, London, EC4R 1BN
Financial adviser, Joint Corporate Broker and Placing Agent	**Stifel Nicolaus Europe Limited** 150 Cheapside, London, EC2V 6ET
Joint Corporate Broker	**Goldman Sachs International** Plumtree Court, 25 Shoe Lane, London, EC4A 4AU
Auditors	**BDO LLP** 55 Baker Street, London, W1U 7EU
Property Valuers	**Cushman & Wakefield** 125 Old Broad Street, London, EC2N 1AR
Financial PR Advisers	**FTI** 200 Aldersgate Street, London, EC1A 4HD
Website	www.supermarketincomereit.com
Registered Office	1 King William Street, London, United Kingdom, EC4N 7AF
Stock exchange ticker ISIN	**SUPR** GB00BF345X11

This report will be available on the Company's website.

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

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

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

Indicators sections on pages 39 and 41

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

[5] Calculated as Adjusted EPRA earnings divided by dividends paid during the year

[6] IGD growth from 2022 to 2023 (forecast), June 2023

[7] IGD channel data 2018 to 2022 actuals, 2023 forecast

[8] Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

[9] Blended NIY across the 21 properties

[10] SRP investment: the Sainsbury's Reversion Portfolio held in a joint venture arrangement. See Note 14 to the financial information for further information

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

[12] Portfolio statistics include Post balance sheet acquisitions

[13] Kantar grocery channel report June 2023

[14] Inclusive of uncommitted extension options

[15] Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

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

[17] Including uncommitted extension options

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

[19] Kantar grocery update, June 2023

[20] Cushman & Wakefield, Future of Food Chains, 2023

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

[22] 31 December 2022 figures are extracted from the Group's Interim Report for the six months ended 31 December 2022

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

[24] 31 December 2022 figures are extracted from the Group's Interim Report for the six months ended 31 December 2022

[25] MSCI UK Quarterly Property Index (June 2022 - June 2023)

[26] Tesco & Sainsbury's Q1 trading updates

[27] Including post-balance sheet events

[28] Including post-balance sheet events

[29] Including uncommitted accordions and indications of appetite from lenders

[30] Property yields sourced from MSCI for the period March 2006 to June 2023

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

[32] Net Debt/EBITDA

[33] Tesco Annual Reports 2017 and 2023, % of net selling space owned

[34] Stores include Sainsbury's - Newcastle, Tesco - Chineham, Tesco - Bradley Stoke and Sainsbury's - Bangor

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

[36] Gross consideration, excluding costs

[37] Excluding acquisition costs

[38] Excluding costs

[39] As at 20 September 2023

[40] IGD UK grocery market retail forecast 2023-2028

[41] Office for National Statistics 2023

[42] Knight Frank, Savills, MSCI and Atrato Capital research. Year ending 30 June 2023

[43] Which? supermarket food price inflation tracker 15/08/2023

[44] Atrato research

[45] Including uncommitted extension options

[46] Profits which are not derived from property rental business would be subject to corporation tax

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

[48] Values have been rounded

[49] Tenant energy consumption only

[50] 2023 is the first year of reporting the majority of metrics, so no prior year comparisons have not been included in this table. The 2024 Annual report will allow for trend analysis and compare metrics disclosed in 2023

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

[52] "Ancillary units" are units not used as a supermarket

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

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