



SUPERMARKET INCOME REIT

INTERIM RESULTS FOR SIX MONTHS ENDED 31 DEC 2023

[SUPERMARKET INCOME REIT PLC](#)

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SUPERMARKET INCOME REIT PLC (the "Group" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

RESILIENT FINANCIAL PERFORMANCE - STRONG BALANCE SHEET PROVIDING OPPORTUNITY FOR FUTURE GROWTH

The Board of Directors of Supermarket Income REIT plc (LSE: SUPR), the real estate investment trust providing secure, inflation-linked, long income from grocery property in the UK, reports its interim results for the Group for the six months ended 31 December 2023 (the "Period").

FINANCIAL HIGHLIGHTS

	Six months to 31-Dec-23	Six months to 31-Dec-22	Change in Year
Annualised passing rent ¹	£104.7m	£95.5m	+10%
Operating profit ²	£45.0m	£38.0m	+18%
Adjusted Earnings ^{1,3}	£36.3m	£36.4m	-
Changes in fair value of investment properties	(£57.9m)	(£248.1m)	n/a
Dividend per share declared	3.0 pence	3.0 pence	-
Adjusted EPS ^{1,3}	2.9 pence	2.9 pence	-
Dividend cover ^{1,4}	0.97x	0.98x	n/a

	31-Dec-23	30-June-23	Change in Period
IFRS net assets	£1,125m	£1,218m	-8%
EPRA NTA ¹	£1,094m	£1,156m	-5%
EPRA NTA per share ¹	88 pence	93 pence	-5%
Net Loan to value	33%	37%	n/a
Portfolio net initial yield ¹	5.8%	5.6%	n/a

Resilient financial performance

- 18% growth in operating profit² to £45.0 million, reflecting:
 - 10% increase in annualised passing rent to £104.7 million through acquisitions and contractual rental uplifts
 - Continuing 100% rent collection
 - Lower EPRA cost ratio 15.1% (six months to 31 December 2022: 16.7%)
 - Sainsbury's Reversion Portfolio ("SRP") JV earnings replaced via higher yielding acquisitions
- Adjusted EPS stable at 2.9 pence reflecting lower leverage
- On track to deliver full-year 2024 dividend target of 6.06p
- Significant debt capacity for future earnings growth, well positioned to capitalise on current yields

Performance underpinned by continued, structural growth in the grocery sector

- UK grocery market sales up 8%⁵ in the Period, forecast to be £250 billion in 2024⁶
- Record £2.1 billion of investment activity in UK grocery real estate in 2023⁷
- Our largest tenants Tesco & Sainsbury's gaining market share⁸
 - Combined market share up by 2% to 44%
 - 10% growth in sales from large format stores⁹
- Store sales growth continues to outpace rental growth - increasing affordability of rental values

Unique portfolio of 55 mission critical supermarkets

- Future-proofed portfolio of omnichannel stores
- 13 years weighted average unexpired lease term ("WAULT")
- 78% of rental income inflation-linked
- Strong performing tenant covenants with 77% of income from Sainsbury's and Tesco
- 93% of portfolio stores operate online fulfilment via home delivery and/or click and collect, capturing current and future growth in online sales

Supermarket property valuations reflect broader property market values

- Portfolio independently valued at £1.68 billion, inclusive of acquisitions of £36.4 million, reflecting Net initial yield ("NIY") of 5.8% (30 June 2023: 5.6%)
- Like-for-like valuation decline of 3.2% compares favourably versus MSCI All Property Capital Index decline of 4.0%
- The impact of higher yields has been partly mitigated by a 3.6% average rental uplift on rent reviews during the period

Strong balance sheet with 100% of drawn debt hedged to fixed rate

- LTV of 33% as at 31 December 2023 (30 June 2023: 37%)
- 100% of drawn debt fixed or hedged at a weighted average finance cost of 3.1% (30 June 2023: 3.1%)
 - Interest rate hedging extended by 12 months in September 2023
 - Existing in-the-money hedging restructured to extend hedge term at zero upfront cost
- Fitch Ratings Limited ("Fitch") reaffirmed the Company's Investment Grade Credit Rating of BBB+

Accretive acquisitions and active portfolio management

- Purchased two supermarket properties at a NIY of 6.5% for a total consideration of £36.4 million
- Given reduced LTV, the Company has capacity available for opportunistic acquisitions
- EV charging installations now operational at five stores
- Rooftop solar:
 - Operational across 20% of the portfolio
 - New solar installation at Tesco, Thetford generated an EPC upgrade from C to B

Continued progress on sustainability reporting

- Science Based Targets initiative ("SBTi") net zero targets submitted for validation
- Adopted a charitable giving policy focused on alleviating poverty and hunger as well as having a positive impact on biodiversity at and near our sites
- Post Period end, Atrato Group became an endorser of Spring - a new PRI stewardship initiative for nature

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

"The UK grocery sector continues to demonstrate strong resilience to the challenging macroeconomic environment. Our tenants continue to grow, strengthening their financial and operational performance by putting omnichannel supermarkets at the heart of their operations.

We remain focused on our investment strategy of acquiring and managing a high-quality portfolio of omnichannel supermarkets, which are critical to our tenants, giving us exposure to the largest and fastest growing segment of the grocery market.

A record £2.1 billion was invested into UK supermarket property in 2023, highlighting the strong appeal of the asset class and the attractiveness of current asset values. UK property valuations continue to be impacted by the uncertain economic backdrop, however as interest rates normalise and with the limited supply of omnichannel supermarkets, we remain highly optimistic for the valuation outlook for the year.

Looking forward, the quality of our unique supermarket portfolio and the increasing affordability of grocery rents, together with our strong balance sheet means we are well positioned to deliver long-term value for our shareholders."

PRESENTATION FOR ANALYSTS

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_HY24

The results presentation is available in the Investor Centre section of the Group's website.

**FOR FURTHER
INFORMATION**

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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 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.

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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CHAIR'S STATEMENT

Dear Shareholder,

The UK grocery sector continued to show strong growth in 2023 against a persistently uncertain economic backdrop. During the Period, Kantar reported an 8%¹⁰ increase in UK grocery sales building on the strong growth seen in the previous period. Tesco and Sainsbury's, the UK's largest grocery operators by revenue, and our two largest tenants, have performed particularly strongly, with both operators growing market share and sales, which is fuelling cash flow growth and profit margins.

In a tight market for new sites due to a lack of prime locations, planning restrictions and elevated construction costs, our large format stores provide the operators with the space to grow sales volumes and thus sales densities, which will further increase rental affordability and should feed through to higher rental income at lease expiry.

The importance of mission-critical supermarkets, the revenue hubs in this growing sector, together with long inflation-linked full repairing and insuring ("FRI") leases, has attracted a growing range of investors to this market. In 2023 we saw a record £2.1 billion of investment volumes. In addition, we continue to see our two biggest tenants, Tesco and Sainsbury's buying in their stores with over £2.0 billion of supermarkets purchased in the last five years, testament to the value that they see in owning their top trading, omnichannel stores.

Despite the strong grocery market backdrop, supermarket property yields continued to widen in line with the broader property market driven by the negative macro-economic environment. As a result, the Portfolio valuation declined 3.2% on a like-for-like basis, reflecting a Net Initial Yield of 5.8% as at 31 December 2023 (30 June 2023: 5.6%).

Given the uncertain economic and interest rate outlook for much of 2023, the Company took the prudent decision to use some of the proceeds from the sale of the Sainsbury's Reversion Portfolio to pay down debt, reducing LTV to 33%. Despite this lower leverage position, we have maintained the EPS level we achieved before the sale of the SRP. The undrawn debt capacity means we are ideally positioned to take advantage of some highly attractive pricing, and earnings accretive acquisition opportunities in the market.

The reduction in the 5 year interest swap rate from 5.0% in June 2023 to 3.4% in December 2023 has reduced borrowing costs, generating an attractive spread to current supermarket investment yields. Combined with the strong, growing operational market and improving lease reversion values, we remain highly optimistic on the longer-term valuation outlook and remain open to future earnings accretive investments.

The Company has continued to build on the progress that it has already made on sustainability. Following the publication of our first standalone sustainability report in September, along with our TCFD compliant Annual Report, we have now submitted our science-based emissions reduction targets to the Science Based Target initiative ("SBTi") for validation. We have also actively managed assets to deliver sustainability improvements and have now deployed EV charging at five sites and are continuing to support the roll out of solar PV with rooftop solar now installed at 20% of our stores. This is improving the environmental efficiency of our sites including our Tesco store in Thetford, which energised in the Period. The PV system provides clean energy directly to the store, helped to deliver an EPC upgrade from C to B and was completed with zero capex cost to the Company.

OUTLOOK

Once again, the grocery market has delivered a strong performance in a challenging, unpredictable economic environment. Whilst we have seen a decline in valuations based on transactions which completed late last year, constrained supply and falling debt cost conditions combined with evidence of increased competition for assets since the start of the year, suggest that we may see a more positive environment for valuations going forward.

With our current reduced leverage, we are now ideally placed to add earnings accretive assets. Meanwhile, our high-quality portfolio of mission-critical supermarkets continue to deliver stable, long-term inflation-linked income. Combined with our robust balance sheet, fixed borrowing costs and highly visible cashflows, the Board is confident of the Company's ability to provide secure income to our investors.

Nick Hewson
Chair
12 March 2024

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
1. Total Shareholder Return	Shareholder return is one of the Group's principal measures of performance. Total Shareholder Return ("TSR") is measured by reference to the growth in the Group's share price over a period, plus dividends declared for that period.	23.2% for the six months ended 31 December 2023 (Six months ended 31 December 2022: -11.7%)
2. WAULT	WAULT measures the average unexpired lease term of the Property Portfolio, weighted by the Portfolio valuations.	13 years WAULT as at 31 December 2023 (As at 30 June 2023: 14 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 states three measures of NAV to be used; of which the Group deem EPRA NTA as the most meaningful measure. See Note 22 for more information.	88 pence per share as at 31 December 2023 (As at 30 June 2023: 93 pence per share)
4. Net Loan to Value	The proportion of our Direct Portfolio gross asset value that is funded by borrowings calculated as balance sheet borrowings less cash balances divided by total investment properties valuation.	33% as at 31 December 2023 (As at 30 June 2023: 37%)
5. Adjusted EPS*	EPRA earnings adjusted for company specific items to reflect the underlying profitability of the business.	2.9 pence per share for the six months ended 31 December 2023 (Six months ended 31 December 2022: 2.9 pence per share)

Adjusted earnings 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 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 refinancing of the Group's debt facilities during the Period.

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

The Group uses alternative performance measures including the European Public Real Estate ("EPRA") Best Practice Recommendations ("BPR") to supplement its IFRS measures as the Board considers that these measures give users of the interim financial statements the best understanding of the underlying performance of the Group's property portfolio. The EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability and relevance of published results in the sector.

Reconciliations between EPRA measures and the IFRS financial statements can be found in Notes 10 and 22 to the financial statements.

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 interim financial statements.

Measure	Definition	Performance
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1. EPRA EPS	A measure of EPS designed by EPRA to present underlying earnings from core operating activities.	2.1 pence per share for the six months ended 31 December 2023 (Six months ended 31 December 2022: 2.6 pence per share)
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.	97 pence per share as at 31 December 2023 (As at 30 June 2023: 103 pence per share)
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.	88 pence per share as at 31 December 2023 (As at 30 June 2023: 93 pence per share)
4. EPRA Net Disposal Value (NDV) per share	An EPRA NAV per share metric which represents the Shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	90 pence per share as at 31 December 2023 (As at 30 June 2023: 98 pence per share)
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.	5.8% as at 31 December 2023 (As at 30 June 2023: 5.5%)
6. EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	0.6% as at 31 December 2023 (As at 30 June 2023: 0.4%)
7. EPRA Cost Ratio (Including direct vacancy costs)	Administrative & operating costs (including costs of direct vacancy) divided by gross rental income.	15.1% for the six months ended 31 December 2023 (Six months ended 31 December 2022: 16.7% ¹¹)
8. EPRA Cost Ratio (Excluding direct vacancy costs)	Administrative & operating costs (excluding costs of direct vacancy) divided by gross rental income.	14.9% for the six months ended 31 December 2023 (Six months ended 31 December 2022: 16.5%)
9. EPRA LTV	Net debt divided by total property portfolio and other eligible assets.	34.6% for the six months ended 31 December 2023 (As at 30 June 2023: 35.2%)
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 2.5% for the six months to 31 December 2023 versus six months to 31 December 2022
11. EPRA Capital Expenditure	Amounts spent for the purchase and development of investment properties (including any capitalised transaction costs).	£38.5 million for the six months ended 31 December 2023 (Six months ended 31 December 2022: £310.2 million)

INVESTMENT ADVISER'S REPORT

Atrato Capital Limited, the Investment Adviser to the Group (the "Investment Adviser"), is pleased to report on the operations of the Group for the Period.

Overview

Continued strong growth of the grocery sector

We observed UK grocery sales growth of 8%¹² in the Period. Annual sales in the UK grocery market are currently forecast to reach £250 billion in 2024¹³; an increase of £65 billion since the Company's IPO in 2017. The sector's non-discretionary nature ensures that it is highly resilient relative to the volatility of the economic cycle and is strongly correlated to inflation. The recent peak of UK price inflation has now seemingly passed and operators are reporting volume growth both in-store and online.

In October 2023, Tesco reported 9.3%¹⁴ growth in grocery sales from its supermarket estate and Sainsbury's reported similar growth of 10.8%¹⁵, outpacing the wider UK grocery market. Core to the operator's growth are the omnichannel supermarkets that provide in-store shopping, but also operate as last mile, online grocery fulfilment centres for both home delivery and click and collect. Omnichannel stores provides the space, proximity to customers and flexibility to service customer demand in the growing physical and online markets. It is worth noting that approximately 80% of Tesco's 1.1 million weekly online orders are now fulfilled from omnichannel supermarkets and, similarly, the increased focus on omnichannel stores has propelled Sainsbury's to become the number one click and collect retailer in the UK.

Focused investment strategy targeting top trading, mission critical real estate

Our strategy is aligned with the future model of UK grocery, capitalising on the long-term structural trend toward growing omnichannel operations. We have handpicked the UK's leading portfolio of supermarket investment assets. We are the largest landlord of omnichannel grocery stores in the UK, offering a combination of attractive, secure and growing income with potential for long-term capital growth. Our stores facilitate in-store shopping, home delivery, click and collect, and increasingly, rapid ready to eat food delivery. 93% of the Group's portfolio by value are omnichannel stores, future proofing the portfolio and providing exposure to the fastest growing grocery market channel since the Company's IPO in 2017¹⁶.

Omnichannel stores act as significant online fulfilment hubs. A typical omnichannel store will operate as many as 25 home delivery vans, with c.200 employees dedicated to online fulfilment, accounting for up to 30% of store turnover. These large sites, often exceeding 10 acres, have good road transport links in densely populated areas and thus would be very difficult to recreate today. The stores typically have long trading histories, many having been supermarkets for more than 30 or 40 years, underlining the strength of the site as a grocery location. The Company's strategy of targeting such stores ensures that its tenants are committed to the location beyond the contractual lease term and provides assurance of strong alternative occupier demand in the highly competitive grocery market. The scarcity of alternative locations combined with increased build costs, up c.30% since 2022, are driving up supermarket replacement values, making existing omnichannel supermarkets even more valuable.

Income generated from strong tenant covenants

The Company has continued to achieve 100% rent collection during the period, of which 77% is received from its key tenants, Tesco and Sainsbury's, the UK's largest retailers by revenue. The Company also benefits from its tenants' capital investment programmes, which are focused on enhancing existing stores, including those which are occupied leasehold, over new store openings. The limited new store openings and capital investment programmes mean that high sales growth is being achieved like-for-like, enhancing existing store trading performance and ensuring progressive ERV growth.

While the growth of the Discounters has gained attention, it is worth noting that much of their sales growth is achieved through new store openings and therefore at a lower margin. Tesco and Sainsbury's have competed particularly well with the Discounters, with Clubcard and Nectar customer loyalty programmes proving highly effective in customer retention.

2023 was a record year for supermarket real estate investment volumes

The investment market for supermarkets saw volumes of £2.1 billion in 2023¹⁷, highlighting the attractiveness of the asset class at current yields. The volume of transactions demonstrated the significant value of supermarket real estate to both the traditional institutional investors and also to Tesco and Sainsbury's, as they continue to buy back leasehold stores. This operator buyback activity, given the knowledge of their own store estates, clearly demonstrates the value of their store networks.

The liquidity of the supermarket investment market means that valuers are able to base valuations on real world transactional evidence. This stands in contrast to other sectors of the real estate market where volumes were significantly reduced in 2023, reflecting the wide gap that still remains between buyer and seller price expectations in those sectors. The defensive characteristics of supermarkets, combined with the capex certainty provided by the Fully Repairing and Insuring lease structures are proving attractive for investors.

Challenging economic environment impacting property valuations

The high level of transactions in the grocery investment market provided clear market pricing guidance for the sector. For the majority of the year, supermarket valuations remained broadly flat following the valuation decline seen in Q4 of 2022. However, in December 2023, following an improvement in 5 year swap rates and forward financing expectations, some buyers opportunistically closed deals to purchase assets from some vendors who were under pressure. These transactions would have been priced earlier in the year when the interest rate outlook was less favourable. This short burst of transactions closing late in the year at wider yields resulted in a 3.2% like-for-like valuation decline of the Company's portfolio as at 31 December 2023.

Since the start of 2024 we have seen strong investor interest, including for those stores for which demand was weaker in Q4 2023. This includes assets on short leases or let to non-institutional grade tenants such as Asda, Morrisons and Waitrose, providing confidence that we have seen a bottoming out of valuations in the sector.

Whilst volatility remains, interest rate expectations have moderated somewhat and the 5 year swap rate has reduced from 5.0% in June to 3.4% in December, providing accretive opportunities to deploy capital. We expect that more constrained supply following very high transaction volumes in 2023 combined with falling interest rates will provide support for capital growth going forwards.

As sector specialists, we are able to identify value in often overlooked sub-sectors in a challenging real estate market. The prospective all-in fixed cost of debt for the Company is around 5.5% and we see accretive opportunities to deploy, whilst maintaining focus on high quality assets.

Strong balance sheet, well positioned to take advantage of opportunities in the market

The Company's balance sheet is in a robust position. During 2023, the Board and Investment Adviser took the prudent decision to maintain lower leverage given the challenging macro environment, resulting in an LTV of 33% as at 31 December 2023 (30 June 2023: 37%). This conservative approach, which saw the Company reduce debt and step back from the investment market to conserve cash during a period of continued volatility, now provides the Company with capacity for accretive deployment in an increasingly attractive investment environment.

The Company's cost of debt remains 100% fixed until FY26, through the peak of the interest rate cycle and we continue to see good access to refinancing liquidity from both new and existing lenders. We added Sumitomo Mitsui Banking Corporation to our group of relationship banks in the Period and we continue to maintain strong relationships with all lenders. Fitch ratings recently reaffirmed the Company's Investment Grade, long-term Issuer Default Rating ("IDR") of 'BBB+' with a stable outlook.

The Company has significant headroom on its bank facility covenants and given the attractiveness of current investment yields is currently assessing a number of earnings accretive acquisition opportunities.

Acquisitions in the period relate to the conclusion of the sale of the Sainsbury's Reversionary Portfolio to Sainsbury's plc

During the Period, the Group purchased two further supermarkets for £36.4 million¹⁸:

- **July 2023:** Two Sainsbury's superstores in Derby, for £19.0 million¹⁸ and Gloucester, for £17.4 million¹⁸, at a blended NIY of 6.5%. The stores had a 10-year unexpired lease term, subject to 5-yearly, upwards only open market rent reviews.

Valuation reflects transactions closing late Q4 which priced in higher long-run cost environment

Cushman & Wakefield valued the Portfolio as at 31 December 2023 in accordance with the RICS Valuation Global Standards. The properties were valued individually without any premium/discount applied to the Portfolio as a whole.

The Portfolio value was £1,675 million, with this valuation reflecting a net initial yield of 5.8% and a like-for-like valuation decline of 3.2% for the Period.

The decline in valuation reflects the outward shift in property yields applied by valuers as a result of transactions which completed in late 2023, having priced in Q3 amidst expectations of higher long-run costs. The valuation decline has been partially mitigated by our contractual inflation-linked rental uplifts. The average increase in rent from rent reviews performed during the six month period to 31 December 2023 was 5.1% (or 3.6% on an annualised basis). 80% of the Company's leases benefit from contractual rental uplifts, with 78% linked to inflation and 2% with fixed uplifts.

The benchmark MSCI All Property Capital Index during the same period was down 4.0%. Since the Period end we have seen signs of increasing investor interest as the forecast cost of debt begins to fall and with current supermarket yields producing attractive returns.

Active asset management delivering additional value and improving sustainability of sites

We continue to seek to deliver additional value for shareholders through active management of our larger sites which are not fully demised to the core supermarket tenants and therefore benefit from greater landlord control.

At Tesco, Chineham, McDonald's has commenced fit out works of a unit with a new 25-year lease. In addition to this, Pets Corner is upsizing into a new unit. At Tesco, Bradley Stoke, works are currently being undertaken to amalgamate two units, one of which was vacant at acquisition and the other let on a concessionary basis, with B&M committing to a new 10-year lease, rendering the site 100% let.

Opportunities to add complementary discount grocery operators have progressed. At Tesco, Chineham, the existing planning consent was successfully implemented and terms are agreed with a complementary discount grocery retailer. Other developments are being considered at Sainsbury's, Newcastle, Morrisons, Workington and Tesco, Bradley Stoke and various negotiations are ongoing with potential tenants for those sites.

Progress has also been made on sustainability initiatives at our sites. Electric Vehicle ("EV") charging has been completed at five sites. 58 EV charging bays have been installed at zero capex cost to the Company across:

- Morrisons, Workington
- Morrisons, Wisbech
- Tesco, Bradley Stoke
- Tesco, Chineham
- Tesco, Beaumont Leys

We continue to assess the portfolio for other EV charging installation opportunities with three immediate targets already identified.

Works were completed at Tesco, Thetford in partnership with Atrato Onsite Energy plc where Tesco entered into a 20-year Power Purchase Agreement ("PPA") for a new solar installation on the rooftop at the store. The EPC rating was re-assessed post installation and improved from a C to a B.

Delivering on our sustainability strategy

The Company has continued to deliver on its sustainability strategy and improve its ESG performance. The Company is pleased to have now progressed from a Net Zero ambition to submitting science-based emissions reduction targets to the SBTi and embarking on their delivery. The Company's targets, currently submitted to the SBTi for validation, include:

- Net-Zero: A commitment to reach net zero Greenhouse Gas ("GHG") emissions across the value chain by FY2050
- Near-term Target: A commitment to reduce absolute Scope 1 and 2 GHG emissions by 42% by FY2030 from a FY2023 base year
- Long-term Target: A commitment to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by FY2050 from a FY2023 base year

The Annual Report and Accounts for the year ended 30 June 2023 included the Company's Task Force on Climate-Related Financial Disclosures ("TCFD") report, with disclosures made across all 11 TCFD recommendations. Included within this report was the Company's GHG Inventory disclosures, across Scope 1, 2 and 3 emissions. As part of the Company's commitment to further developing its mechanisms to identify, manage and respond to climate-related risks, TCFD and climate risk training was rolled out to the Investment Adviser and completed by the full team in December 2023.

The Company's approach to sustainability is underpinned by the Board's commitment to good stewardship and creating long-term value for our stakeholders. The Company continues to support the commitments of its Investment Adviser as a signatory to both the United Nations Principles for Responsible Investment ("UNPRI") and Net Zero Asset Managers Initiative ("NZAM"). The Investment Adviser received the results of its first PRI Report submission in January 2024 and will be reporting on its responsible investment activities again in the next PRI reporting cycle. In January 2024, the Investment Adviser also became part of the first cohort of endorsers of Spring - a PRI stewardship initiative for nature.

The Company continues to monitor the evolution of relevant ESG-related regulation, specifically the implementation of the Financial Conduct Authority's UK Sustainability Disclosure Requirements ("SDR") and the European Commission's review of the EU Sustainable Finance Disclosure Regulations ("SFDR").

The Company's Board and the Investment Adviser recognise the importance of transparent, decision-useful sustainability reporting to improve our accountability to stakeholders. The Company's next annual Sustainability Report will be published alongside the Company's Full Year Results. The Company remains committed to further development of its sustainability strategy and priority ESG activities, as it continues to integrate ESG best practice and contribute towards a net zero future.

Post Period end, the Company adopted a charitable giving policy focused on the themes of alleviating poverty and hunger, feeding the nation, and having a positive impact on biodiversity at and near our sites. The Investment Adviser has also formalised a volunteering programme and its employees have given their time to support these themes. The Company will report on progress with the implementation of the charitable giving policy and volunteering impact within its next annual Sustainability Report.

Financial results

Net rental income

In the Period, the portfolio generated net rental income of £52.6 million (six months to 31 December 2022: £45.9 million), representing an increase of £6.7 million or 14.5% compared to the prior period.

On a like-for-like basis, EPRA net rental income increased by 2.5%. During the Period we successfully completed 13 rent reviews generating £1.7 million of additional rental income, representing an increase of 5.1% (or 3.6% on an annualised basis).

The second half of the year will benefit both from a full period of rental income from properties acquired in the Period and contractual uplifts across 27% of the portfolio subject to a review in the six months to 30 June 2024.

Direct property expenditure increased marginally to £0.4 million (six months to 31 December 2022: £0.3 million), however our gross to net margin continues to be among the highest in the sector at 99.3% (six months to 31 December 2022: 99.4%), reflecting the strength of our core single-let strategy and further highlighting the covenant quality of our tenant base.

Rent collection rates were 100% for the six months to 31 December 2023 (six months to 31 December 2022: 100%), as our focus on top trading stores and covenant quality provided exceptional income security.

Administrative and other expenses and EPRA cost ratio

Administrative and other expenses, which include all operational costs of running the business, remained broadly flat period-on-period at £7.6 million (six months to 31 December 2022: £7.9 million). We continue to monitor the operational efficiency of the Group through its EPRA cost ratio, which is among the lowest in the sector, and improved by 160bps to 15.1%.

	6 months to 31 December 2023	6 months to 31 December 2022
EPRA cost ratio including direct vacancy costs	15.1%	16.7%
EPRA cost ratio excluding direct vacancy costs	14.9%	16.5%

Net finance costs

During the Period, the Group received £135.1 million following the divestment of its interest in the Sainsbury's Reversion Portfolio Joint Venture. Part of the proceeds were utilised to pay down debt, reducing drawn debt by £84.4 million to £587.8 million at the period end. At the same time, the Group extended the term of its hedging by 12 months, fixing the weighted average cost of debt on drawn balances at 3.1%.

Net finance costs reduced by £1.5 million primarily due to one-off loan restructuring costs recognised in the prior period.

Adjusted earnings

The Directors consider Adjusted earnings a key measure of the Company's underlying operating results, and therefore excludes one-off items which are non-recurring in nature and includes finance income on derivatives held at fair value through profit on loss. Adjusted earnings for the six months to 31 December 2023 were £36.3 million (six months to 31 December 2022: £36.4 million). On a per share basis, adjusted earnings remained flat in the Period at 2.9 pence (six months to 31 December 2022: 2.9 pence) per share.

A full reconciliation between IFRS and Adjusted earnings can be found in note 10 of the Financial Statements.

Dividend

In August 2023, the Company paid a fourth interim dividend in respect of the period from 1 April 2023 to 30 June 2023 of 1.50 pence per share, taking total dividends paid and declared in respect of the financial year ended 30 June 2023 to 6.00 pence per share.

In November 2023, the Company paid a first interim dividend in respect of the period from 1 July 2023 to 30 September 2023 of 1.515 pence per share and in January 2024 approved a second interim dividend of 1.515 pence per share for the three months ended 31 December 2023.

The Company is continuing to target a dividend of 6.06 pence per share in respect of the year ended 30 June 2024.

EPRA net tangible assets and IFRS net asset

	Unaudited 31 Dec 2023 £'000	Unaudited 31 Dec 2022 £'000	Audited 30 Jun 2023 £'000
Investment property	1,667,910	1,625,100	1,685,690
Investment in joint ventures	-	197,821	-
Bank and other borrowings	(583,893)	(685,442)	(667,465)
Cash	37,068	35,380	37,481
Other net assets/(liabilities)	(27,191)	(25,915)	100,828
EPRA net tangible assets	1,093,894	1,146,944	1,156,534
Fair value of interest rate derivatives	27,364	47,389	57,583
Fair value adjustment for financial assets held at amortised cost	3,631	3,423	3,609
IFRS net assets	1,124,889	1,197,756	1,217,726

EPRA net tangible assets ("EPRA NTA") is considered to be the most relevant measure for the Group, and includes both income and capital returns, but excludes fair value of interest rate derivatives and revaluation to fair value of investment properties held at amortised cost.

At 31 December 2023, EPRA NTA was £1,094 million (30 June 2023: £1,157 million), representing an EPRA NTA per share of 88 pence, a decrease of 5.4% since 30 June 2023 primarily due to the portfolio revaluation deficit of £57.9 million or 5 pence per share.

Portfolio Valuation

The value of the portfolio at 31 December 2023, including the fair value of investment properties held at amortised cost, was £1,675 million (30 June 2023: £1,693 million). During the period, the Group invested £38.4 million in two omnichannel supermarkets (including transaction costs) and incurred capital expenditure of £0.1 million. On a like-for-like basis, the portfolio recognised a revaluation deficit of £54.4 million, or 3.2%, as a result of 20bps outward yield shift.

Cash Flow and Net Debt

Cash flows from operating activities before changes in working capital increased by £6.9 million to £43.6 million, primarily due to increased rental income received from rent reviews and property acquisitions.

During the Period, the Group received £135.1 million following the divestment of its interest in the Sainsbury's Reversion Portfolio Joint Venture. Part of the proceeds were used to acquire two omnichannel supermarkets with a combined acquisition cost of £38.4 million (including transaction costs), providing earnings growth in line with the Group's strategy.

Net debt decreased by £83.2 million over the six-months to 31 December 2023, to £546.8 million, and represents a loan to value of 33% (30 June 2023: 37%). The Group continues to maintain a conservative leverage policy, with a medium-term target LTV of 30-40%.

Financing

	Unaudited 31 Dec 2023	Unaudited 31 Dec 2022	Audited 30 Jun 2023
Undrawn facilities	£177m	£172m	£190m
Loan to value	33%	40%	37%
Net debt / EBITDA ratio (period end)	6.1x	8.6x	8.0x
Weighted average cost of debt	3.1%	2.6%	2.9%
Interest cover	5.8x	3.6x	4.1x
Average debt maturity ¹	4.1 years	4.0 years	3.7 years
% of drawn debt which is fixed/hedged	100%	100%	100%

1. Includes extension options at lenders' discretion

During the Period, the Group completed a comprehensive debt refinancing exercise, completing a new £67 million unsecured facility with Sumitomo Mitsui Banking Corporation, at the same time reducing its HSBC facility from £150 million to £50 million and cancelling its Barclays/RBC facility of £77.5 million. This refinancing has allowed the Group to increase its weighted average debt maturity to 4.1 years (30 June 2023: 3.7 years).

At 31 December 2023, the Group has gross borrowings of £588 million diversified across eight lenders, including £374 million of unsecured borrowings and £214 million of secured borrowings. In addition, the Group has available undrawn facilities of £177 million (which includes a £75 million credit approved accordion) and plenty of headroom under banking covenants, providing the capacity to execute opportunistic transactions as they arise.

The Group has £97 million of debt maturing in the next twelve months, all of which is covered by undrawn facilities. The Group maintains good long-term relationships with all lenders and is currently in discussions regarding the refinancing requirement and expects to conclude the transaction on or around the current financial year end.

The Group's interest rate risk is mitigated through a combination of fixed debt and derivative interest rate swaps and caps. During the Period, the Group utilised the value of its existing in-the-money interest rate hedges to extend the term of its hedging arrangements by 12 months at no additional cost to the Company. As a result of these transactions, 100% of the Group's drawn debt is now either fixed or hedged for 2.7 years at a weighted average cost of 3.1%.

The Group continues to monitor its banking covenants and maintains significant headroom on its LTV and ICR covenants. As at 31 December 2023, property values would need to fall by around 42% before breaching the gearing covenant. Similarly, net rental income would need to fall by 56% before breaching the interest cover covenant.

Fitch Ratings, as part of its annual review, reaffirmed the Group's BBB+ rating with a stable outlook.

Atrato Capital Limited
Investment Adviser
12 March 2024

PRINCIPAL RISKS AND UNCERTAINTIES

The Audit and Risk Committee, which assists the Board with its responsibilities for managing risk, regularly considers changes to the principal risk and uncertainties for the Group. The risk management process including the identification, consideration and assessment of those emerging risks which may impact the Group, remain as described in the 2023 Annual Report.

In the Period, the probability of Property Risk, 'our ability to source assets may be affected by competition for investment properties in the supermarket sector', was increased from low to moderate and the Macroeconomic Risk, 'impact of the war in Ukraine' was expanded to include the impact of all geopolitical conflicts.

The principal risks and uncertainties faced by the Company in the Period have otherwise not changed from what is detailed on pages 52 to 58 of the 2023 Annual Report and no further changes are expected in the remaining six-months of the financial year ending 30 June 2024. A summary of those principal risks and uncertainties is provided below:

Property risk

- 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
- Our ability to source assets may be affected by competition for investment properties in the supermarket sector
- The default of one or more of our lessees would reduce revenue and may affect our ability to pay dividends
- 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

Financial risk

- Our use of floating rate debt will expose the business to underlying interest rate movements as interest rates continue to rise
- A lack of debt funding at appropriate rates may restrict our ability to grow
- We must be able to operate within our banking covenants

Corporate risk

- There can be no guarantee that we will achieve our investment objectives
- We are reliant on the continuance of the Investment Adviser

Taxation risk

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

Climate risk

- 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
- Changes in regulatory policy could lead to our assets becoming unlettable
- Volatile changes in the weather systems may deem the Group's properties no longer viable to tenants

Cyber risks

- The rise in attempted cyber crime and more recently cyber risks arising from recent geopolitical tensions has increased the risk for a listed company

Market price risk

- 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

Macroeconomic risks

- Inflationary pressures on the valuation of the portfolio
- Impact of geopolitical conflict

ALTERNATIVE INVESTMENT FUND MANAGER (the "AIFM")

The AIFM was appointed with effect from 15 June 2017 as the Company's alternative investment fund manager under the terms of a Management Agreement between the Company and the AIFM, in accordance with the Alternative Investment Fund Manager's Directive and the Alternative Investment Fund Managers Regulations 2013. The AIFM is licensed and regulated by the Guernsey Financial Services Commission.

The AIFM is responsible for the day-to-day management of the Company's investments, subject to the investment objective and investment policy and the overall supervision of the Directors. The AIFM is also required to comply with on-going capital,

reporting and transparency obligations and a range of organisational requirements and conduct of business rules. The AIFM must also, as the AIFM for the Company, adopt a range of policies and procedures addressing areas such as risk management, liquidity management, conflicts of interest, valuations, compliance, internal audit and remuneration.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements has been prepared in accordance with IAS 34 as adopted by the United Kingdom and that the operating and financial review included herein provides a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, namely:

- an indication of important events that have occurred during the Period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining months of the Group's financial year; and
- disclosures of any material related party transactions in the Period. These are included in note 21.

full list of Directors of the Company can be found at the end of this interim report. Shareholder information is as disclosed on the Supermarket Income REIT plc website.

For and on behalf of the Board

Nick Hewson
Chair
12 March 2024

INDEPENDENT REVIEW REPORT TO SUPERMARKET INCOME REIT PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2023 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and the related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants

London, UK

12 March 2024

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 31 December 2023

Profit or loss	Notes	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Gross rental income	4	52,924	46,162	95,823
Service charge income	4	3,309	2,884	5,939
Service charge expense	5	(3,672)	(3,153)	(6,518)
Net Rental Income		52,561	45,893	95,244
Administrative and other expenses	6	(7,608)	(7,894)	(15,429)
Operating profit before changes in fair value of investment properties and share of income and profit on disposal from joint venture		44,953	37,999	79,815
Changes in fair value of investment properties and associated rent guarantees	12	(57,940)	(248,064)	(256,066)
Share of income from joint venture		-	18,851	23,232
Profit on disposal of joint venture		-	-	19,940
Operating (loss)		(12,987)	(191,214)	(133,079)
Finance income	8	10,967	3,209	14,626
Finance expense	8	(19,928)	(13,655)	(39,315)
Changes in fair value on interest rate derivatives		(32,272)	(950)	10,024
Profit on disposal of interest rate derivatives	19	-	-	2,878
(Loss) before taxation		(54,220)	(202,610)	(144,866)
Tax charge for the period	9	-	-	-
(Loss) for the period		(54,220)	(202,610)	(144,866)
Items to be classified to profit or loss in subsequent periods				
Changes in the fair value of interest rate derivatives	19	(1,043)	1,780	1,068
Total comprehensive (expense)/income for the period		(55,263)	(200,830)	(143,798)
Total comprehensive (expense)/income for the period attributable to ordinary shareholders		(55,263)	(200,830)	(143,798)
Earnings per share - basic and diluted (pence)	10	(4.4p)	(16.3p)	(11.7p)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Non-current assets				
Property, plant and equipment		-	-	129
Investment properties	12	1,667,910	1,685,690	1,625,100
Investment in joint ventures		-	-	197,821
Other financial assets	13	10,921	10,819	10,723

	Notes	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Interest rate derivatives	16	13,670	37,198	31,862
Total non-current assets		1,692,501	1,733,707	1,865,635
Current assets				
Interest rate derivatives	16	13,694	20,384	15,528
Trade and other receivables	14	8,901	142,155	7,502
Cash and cash equivalents		37,068	37,481	35,380
Total current assets		59,663	200,020	58,410
Total assets		1,752,164	1,933,727	1,924,045
Non-current liabilities				
Bank borrowings	17	487,527	605,609	626,119
Total non-current liabilities		487,527	605,609	626,119
Current liabilities				
Bank borrowings due within one year	17	96,366	61,856	59,323
Deferred rental income		22,352	21,557	21,171
Trade and other payables	15	21,030	26,979	19,676
Total current liabilities		139,748	110,392	100,170
Total liabilities		627,275	716,001	726,289
Total net assets		1,124,889	1,217,726	1,197,756
Equity				
Share capital	18	12,462	12,462	12,426
Share premium reserve	18	500,386	500,386	497,316
Capital reduction reserve	18	666,957	704,531	741,821
Retained earnings		(57,177)	(2,957)	(60,701)
Cash flow hedge reserve	19	2,261	3,304	6,894
Total equity		1,124,889	1,217,726	1,197,756
Net asset value per share - basic and diluted	22	90p	98p	96p
EPRA net tangible asset per share - basic and diluted	22	88p	93p	92p

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 12 March 2024 and were signed on its behalf by: Nick Hewson, Chairman.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2023 (unaudited)

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings/Accumulated (Deficit) £'000	Total £'000
As at 1 July 2023	12,462	500,386	3,304	704,531	(2,957)	1,217,726
<i>Comprehensive loss for the period</i>						
Loss for the period	-	-	-	-	(54,220)	(54,220)
Recycled comprehensive loss to profit and loss	-	-	(432)	-	-	(432)
Other comprehensive loss	-	-	(611)	-	-	(611)
Total comprehensive loss for the period	-	-	(1,043)	-	(54,220)	(55,263)
<i>Transactions with owners</i>						
Interim dividends paid	-	-	-	(37,574)	-	(37,574)
As at 31 December 2023	12,462	500,386	2,261	666,957	(57,177)	1,124,889

For the year from 1 July 2022 to 30 June 2023 (audited)

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings/Accumulated (Deficit) £'000	Total £'000
As at 1 July 2022	12,399	494,174	5,114	778,859	141,909	1,432,455
<i>Comprehensive loss for the period</i>						
Cash flow hedge reserve to profit for the year on disposal of interest rate derivatives	-	-	(2,878)	-	-	(2,878)
Loss for the year	-	-	-	-	(144,866)	(144,866)
Other comprehensive income	-	-	1,068	-	-	1,068
Total comprehensive loss for the period	-	-	(1,810)	-	(144,866)	(146,676)
<i>Transactions with owners</i>						
Ordinary shares issued at a premium during the year	63	6,301	-	-	-	6,364
Share issue costs	-	(89)	-	-	-	(89)

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained earnings/Accumulated (Deficit) £'000	Total £'000
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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2022 (unaudited)

	Share capital £'000	Share premium reserve £'000	Cash flow hedge reserve £'000	Capital reduction reserve £'000	Retained Earnings/Accumulated (Deficit) £'000	Total £'000
As at 1 July 2022	12,399	494,174	5,114	778,859	141,909	1,432,455
<i>Comprehensive loss for the period</i>						
Loss for the period	-	-	-	-	(202,610)	(202,610)
Other comprehensive income	-	-	1,780	-	-	1,780
Total comprehensive loss for the period	-	-	1,780	-	(202,610)	(200,830)
<i>Transactions with owners</i>						
Ordinary shares issued at a premium during the period	27	3,185	-	-	-	3,212
Share issue costs	-	(43)	-	-	-	(43)
Interim dividends paid	-	-	-	(37,038)	-	(37,038)
As at 31 December 2022	12,426	497,316	6,894	741,821	(60,701)	1,197,756

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ending 31 December 2023

	Notes	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Operating activities				
(Loss) attributable to ordinary shareholders		(54,220)	(202,610)	(144,866)
<i>Adjustments for:</i>				
Changes in fair value of interest rate derivatives measured at fair value through profit and loss		32,272	950	(10,024)
Changes in fair value of Investment properties and associated rent guarantees	12	57,940	248,064	256,066
Movement in rent smoothing and lease incentive adjustments	4	(1,315)	(1,256)	(2,763)
Amortisation of leasing fees		4	-	-
Finance income	8	(10,967)	(3,209)	(14,626)
Finance expense	8	19,928	13,655	39,281
Share of income from Joint ventures		-	(18,851)	(23,232)
Profit on disposal of interest rate derivative		-	-	(2,878)
Profit on disposal of Joint Venture		-	-	(19,941)
Cash flows from operating activities before changes in working capital		43,642	36,743	77,017
Increase in trade and other receivables		(1,363)	(3,962)	(548)
Decrease in rent guarantee receivables		-	198	191
Increase in deferred rental income		793	4,811	5,198
(Decrease)/Increase in trade and other payables		(1,015)	7,567	2,461
Net cash flows from operating activities		42,057	45,357	84,319
Investing activities				
Disposal of Property, Plant & Equipment		-	-	222
Acquisition of investment properties	12	(36,350)	(299,130)	(362,630)
Capitalised acquisition costs		(2,151)	(11,103)	(14,681)
Decrease in other financial assets		-	93	-
Receipts from other financial assets		145	-	290
Bank interest received		42	-	-
Investment in Joint venture		-	(1,830)	(189,528)
Proceeds from disposal of Joint Venture		135,107	-	292,636
Net cash flows from/(used in) investing activities		96,793	(311,970)	(273,691)
Financing activities				
Costs of share issues		-	(43)	(89)
Bank borrowings drawn		70,000	664,064	912,114
Bank borrowings repaid		(154,386)	(325,717)	(598,486)
Loan arrangement fees paid		(846)	(3,740)	(5,010)
Bank interest paid		(17,270)	(8,646)	(22,408)
Settlement of interest rate derivatives		9,801	1,436	8,646
Settlement of Joint Venture carried Interest		(7,500)	-	(8,066)
Sale of interest rate derivatives		38,481	-	2,878
Purchase of interest rate derivative		(41,578)	(41,445)	(44,255)

Notes	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Bank commitment fees paid	(669)	(1,291)	(1,708)
Dividends paid to equity holders	(35,296)	(33,825)	(67,963)
Net cash flows (used in)/from financing activities	(139,263)	250,793	175,653
Net movement in cash and cash equivalents for the period	(413)	(15,820)	(13,719)
Cash and cash equivalents at the beginning of the period	37,481	51,200	51,200
Cash and cash equivalents at the end of the period	37,068	35,380	37,481

1. Basis of preparation

General information

Supermarket Income REIT plc is a company registered in England & 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.

The financial information set out in this report covers the six months to 31 December 2023, with comparative numbers amounts shown for the year to 30 June 2023 and the six months to 31 December 2022. These condensed financial statements are unaudited and the financial information for the year ended 2022 contained herein does not constitute statutory accounts for as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 30 June 2023 have been delivered to the Registrar of Companies. The independent auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

At 31 December 2023 the Group comprised of the Company and its wholly-owned subsidiaries. All subsidiaries are incorporated in the England & Wales and Jersey.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. The accounting policies adopted in this report are consistent with those applied in the Group's audited financial statements for the year ended 30 June 2023. The accounting policies applied in the preparation of this financial information are expected to be consistently applied in the financial statements for the year to 30 June 2024.

Accounting convention and currency

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

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

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.

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 interim results for the six months ended 31 December 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 31 December 2023, the Group generated net cash flow from operating activities of £42.1 million and had cash and undrawn committed facilities totalling £138.8 million with no capital commitments or contingent liabilities.

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 (£96.6 million) 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 utilising 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.

1. Basis of preparation (continued)

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 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 is 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 21), other costs grown by inflation.
Scenario 2	Rental income to fall by 20%	Costs expected to remain the same as the base case, with an allowance for vacancy costs.
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 11% 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 to the Group which include 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 38%. Based on the latest bank commissioned valuations, property values would have to fall by 21% before LTV covenants are breached, and 8% against the 31 December 2023 Group valuations. Similarly, the strictest interest cover covenant within each of the ring-fenced banking groups is 225%, where the portfolio as a whole is forecast to have an average interest cover ratio of 529% 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 interim financial statements.

2. Significant accounting judgements, estimates and assumptions

There have been no new or material revisions to the nature and amount of judgements and estimates reported in the Annual Report 2023, other than changes to certain assumptions applied in the valuation of properties. Details of the key assumptions applied at 31 December 2023 are set out in note 12.

3. Summary of material accounting policies

The principal accounting policies adopted in this report are consistent with those applied in the Group's audited financial statements for the year ended 30 June 2023 and are expected to be consistently applied during the year ending 30 June 2024.

3.1. New standards issued and effective

There were a number of new standards and amendments to existing standards which are required for the Group's accounting period beginning on 1 July 2023.

The following amendments are effective for the period beginning 1 July 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes)

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

3.2. New standards issued but not yet effective

Amendments to IAS 1 on Classification of liabilities as Current or Non-Current are effective for the financial years commencing on or after 1 January 2024 and are to be applied retrospectively. It is not expected that the amendments will have an impact on the presentation and classification of liabilities in the Group Statement of Financial Position based on rights that are in existence at the end of the reporting period.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. None of these are expected to have a material impact on the consolidated financial statements of the Group.

4. Gross rental income

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Rental income - freehold property	28,488	26,198	53,119
Rental income - long leasehold property	23,993	19,964	42,669
Surrender premiums	443	-	35
Gross rental income	52,924	46,162	95,823
Property insurance recoverable	306	300	585
Service charge recoverable	3,003	2,584	5,354
Total property insurance and service charge income	3,309	2,884	5,939
Total property income	56,233	49,046	101,762

Included within rental income is a £1,099,000 (six months to 31 December 2022: £1,256,000; year to 30 June 2023: £2,512,000) 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.

Also included in rental income is a £216,000 (six months to 31 December 2022: £205,000; year to 30 June 2023 £499,000) adjustment for lease incentives. Tenant lease incentives are recognised on a straight line basis over the lease term as an adjustment to rental income. 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 £50,460,000 relating to the Group's largest tenant and £30,681,000 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.

5. Service charge expense

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Property insurance expenses	354	419	715
Service charge expenses	3,318	2,734	5,803
Total property insurance and service charge expenses	3,672	3,153	6,518

6. Administrative and other expenses

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Investment Adviser fees (note 23)	4,829	5,355	10,292
Directors' remuneration (note 7)	222	175	364
Corporate administration fees	500	557	1,108
Legal and professional fees	817	803	1,626
Other administrative expenses	1,240	1,004	2,039
Total administrative and other expenses	7,608	7,894	15,429

7. Directors' remuneration

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

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Directors' fees	199	157	330
Employer's National Insurance Contribution	23	19	34
Total Directors' remuneration¹	222	176	364

¹ Directors' individual fee levels are unchanged in the period. In March 2023 the Board increased from five to six non-executive Directors, with an associated increase in Total Directors' remuneration.

8. Finance Income and expense

Finance income

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Interest received on bank deposits	42	4	53
Income from financial assets held at amortised cost	247	241	483
Finance income on unwinding of discounted receivable	202	-	2,376
Finance income on settlement of interest rate derivatives	10,476	2,964	11,714
Total finance income	10,967	3,209	14,626

Finance expense

Interest payable on bank borrowings and hedging arrangements	17,731	10,492	29,707
Commitment fees payable on bank borrowings	536	875	1,571
Amortisation of loan arrangement fees*	1,661	2,288	8,037
Total finance expense	19,928	13,655	39,315

*This includes a non-recurring exceptional charge of £281,000 (six months to 31 December 2022: £1.52m, year to 30 June 2023: £1.52m), relating to the acceleration of unamortised arrangement fees in respect of the modification of loan facilities under IFRS 9.

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

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Total interest expense on financial liabilities held at amortised cost	19,392	12,780	37,744
Fee expense not part of effective interest rate for financial liabilities held at amortised cost	536	875	1,571
Total finance expense	19,928	13,655	39,315

9. Taxation

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
a) Tax charge in profit or loss			
Corporation tax	-	-	-
b) Total tax expense			
Tax (credited) in profit and loss as per the above	-	-	-
Share of tax (credit)/expense of equity accounted joint ventures	-	(435)	(400)
Total tax (credit)/expense	-	(435)	(400)

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt 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 21 December 2017 the Group has met all such applicable conditions.

The reconciliation of the profit before tax multiplied by the standard rate of corporation tax for the period of 25% (30 June 2023: 20.4% 31 December 2022: 19%) to the total tax (credited) is as follows:

c) Reconciliation of the tax (credited) for the period	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
(Loss)/ Profit on ordinary activities before taxation	(54,220)	(202,610)	(144,866)
Theoretical tax at UK standard corporation tax rate	(13,555)	(38,496)	(29,553)
Effects of:			
Investment property revaluation not subject to taxation	14,485	(47,132)	49,680
Financial instruments revaluation not taxable	8,068	181	-
Disposal of interest rate derivative	-	-	(587)
Residual business losses	1,721	-	4,428
Other non-taxable items	-	-	(8,807)
REIT exempt income	(10,719)	85,447	(15,161)
Share of tax expense of equity accounted joint ventures	-	(435)	(400)
Total tax (credit)/expense for the period	-	(435)	(400)

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 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 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 restructuring of the Group's debt facilities during the period.

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

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Net (loss) attributable to ordinary shareholders	(54,220)	(202,610)	(144,866)
<i>EPRA adjustments:</i>			
<i>Changes in fair value of investment properties and rent guarantees</i>	57,940	248,064	256,066
<i>Changes in interest rate derivatives measured at fair value through profit and loss</i>	32,272	950	(10,024)
<i>Profit on disposal of interest rate derivatives</i>	-	-	(2,878)
<i>Group share of changes in fair value of joint venture investment properties</i>	-	(11,485)	(11,486)
<i>(Gain) on disposal of investments in joint venture</i>	-	-	(19,940)
<i>Finance income received on interest rate derivatives held at fair value through profit and loss</i>	(10,167)	(2,085)	(9,671)
EPRA earnings	25,825	32,834	57,201
<i>Adjustments for:</i>			
<i>Finance income received on interest rate derivatives held at fair value through profit and loss</i>	10,167	2,085	9,671
<i>One-off restructuring costs in relation to the acceleration of unamortised arrangement fees</i>	281	1,518	1,518
<i>Joint Venture acquisition loan arrangement fee</i>	-	-	4,009
Adjusted Earnings	36,273	36,437	72,399
	Number¹	Number¹	Number¹
Weighted average number of ordinary shares	1,246,239,185	1,241,446,763	1,242,574,505

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

10. Earnings per share (continued)

	Unaudited Six months to 31 December 2023 Pence per share	Unaudited Six months to 31 December 2022 Pence per share	Audited Year to 30 June 2023 Pence per share
Basic and Diluted EPS	(4.4)	(16.3)	(11.7)
<i>EPRA adjustments:</i>			
<i>Changes in fair value of investment properties and rent guarantees</i>	4.7	20.0	20.6
<i>Changes in fair value of interest rate derivatives measured at fair value through profit and loss</i>	2.6	-	(0.8)
<i>Profit on disposal of interest rate derivatives</i>	-	-	(0.2)
<i>Group share of changes in fair value of joint venture investment properties</i>	-	(0.9)	(0.9)
<i>Group share of gain on disposal of joint venture investment properties</i>	-	-	(1.6)
<i>Finance income received on interest rate derivatives held at fair value through profit and loss</i>	(0.8)	(0.2)	(0.8)

	Unaudited Six months to 31 December 2023 Pence per share	Unaudited Six months to 31 December 2022 Pence per share	Audited Year to 30 June 2023 Pence per share
EPRA EPS	2.1	2.6	4.6
<i>Adjustments for:</i>			
<i>Finance income received on interest rate derivatives held at fair value through profit and loss</i>	0.8	0.2	0.8
<i>One-off restructuring costs in relation to the acceleration of unamortised arrangement fees</i>	-	0.1	0.1
<i>Joint Venture acquisition loan arrangement fee</i>	-	-	0.3
Adjusted EPS	2.9	2.9	5.8

11. Dividends

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<i>Amounts recognised as a distribution to ordinary Shareholders in the period:</i>			
Dividends	37,574	37,038	74,328

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 14 July 2023.

On 5 October 2023 the Board declared a first interim dividend for the year ending 30 June 2024 of 1.515 pence per share, which was paid on 16 November 2023 to shareholders on the register on 13 October 2023. The withholding tax element of the dividend of £2.3 million was settled in January 2024.

On 4 January 2024, the Board declared a second interim dividend for the year ending 30 June 2024 of 1.515 pence per share, which was paid on 14 February 2024 to shareholders on the register on 12 January 2024. This has not been included as a liability as at 31 December 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. All the valuations of the Group's investment property at 31 December 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 2023	899,440	786,250	1,685,690
Property additions	36,350	-	36,350
Capitalised costs	2,108	38	2,146
Revaluation movement	(29,688)	(26,588)	(56,276)
Valuation at 31 December 2023	908,210	759,700	1,667,910

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 2022	903,850	657,740	1,561,590
Property additions	106,400	192,730	299,130
Capitalised acquisition costs	2,799	8,304	11,103
Revaluation movement	(139,199)	(107,524)	(246,723)
Valuation at 31 December 2022	873,850	751,250	1,625,100

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Reconciliation of Investment Property to Independent Property Valuation			
Investment Property at fair value per Group Statement of Financial Position	1,667,910	1,625,100	1,685,690
Market Value of Property classified as Financial Assets held at amortised cost (Note 16)	7,290	7,300	7,210
Total Independent Property Valuation	1,675,200	1,632,400	1,692,900

Of the seventeen properties held under long leaseholds, the years unexpired on the headleases are as follows: four properties with between 115 and 155 years, and thirteen properties with between 967 and 987 years. The Group has no material liabilities in respect of these headleases.

12. Investment Properties (continued)

Included within the carrying values of investment properties at 31 December 2023 is £9,822,000 (six months to 31 December 2022: £7,468,000, year to 30 June 2023: £8,724,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 4. The difference between rents on a straight-line basis and rents receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value.

Included within the carrying values of investment properties at 31 December 2023 is £816,000 (six months to 31 December 2022: £nil, year to 30 June 2023: £251,000) in respect of the lease incentives with tenants in the form of rent free debtors as described in note 4.

The effect of these adjustments on the revaluation movement for the period is as follows:

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Revaluation movement per above	(56,276)	(246,723)	(253,211)
Rent smoothing adjustment (note 4)	(1,099)	(1,256)	(2,512)
Lease Incentive adjustment	(565)	-	-
Movements in associated rent guarantees	-	(85)	(343)
Change in fair value recognised in profit or loss	(57,940)	(248,064)	(256,066)

Valuation techniques and key unobservable inputs

Valuation techniques used to derive fair values

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

Unobservable inputs

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

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

Sensitivity of measurement of significant unobservable inputs

The determination of the valuation of the Group's investment property portfolio is open to judgements and is inherently subjective by nature.

12. Investment Properties (continued)

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

	Unaudited Six months to 31 December 2023 £'000	Unaudited Six months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Range of Net Initial Yields	4.6% - 8.1%	4.7% - 7.3%	4.7% - 7.4%
Range of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	£0.3m - £5.2m	£0.3m - £5.1m	£0.3m - £5.1m
Weighted average of Net Initial Yields	5.8%	5.5%	5.6%
Weighted average of Rental values (passing rents or ERV as relevant) of Group's Investment Properties	£2.9m	£2.8m	£2.8m

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
Increase/(decrease) in the fair value of investment properties as at 31 December 2023	33.4	(33.4)	(132.7)	158.2
Increase/(decrease) in the fair value of investment properties as at 31 December 2022*	16.3	(16.3)	(137.0)	165.1
Increase/(decrease) in the fair value of investment properties as at 30 June 2023	33.7	(33.7)	(139.9)	168.1

*31 December 2022 figures were calculated on +/- 1% rental value.

13. Financial assets held at amortised cost

	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
At start of period	10,819	10,626	10,626
Interest income recognised in profit and loss	247	483	241
Lease payments received during the period	(145)	(290)	(144)
At end of period	10,921	10,819	10,723

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 31 December 2023 the market value of the property was estimated at £7.3 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 31 December 2023. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic 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.

14. Trade and other receivables

	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Trade and other receivables	6,116	4,723	6,384
Prepayments	1,310	850	1,118
Receivable from joint venture disposal	1,475	136,582	-
Total trade and other receivables	8,901	142,155	7,502

The receivable from joint venture disposal is from March 2023 when the Group sold its interests in its Joint Venture 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 on 10 July 2023
- The third tranche of £34.7 million was conditional on the sale of the remaining five stores in the portfolio.

In March 2023 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.

During the period, 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 of which the Group's portion is currently £1.5 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 31 December 2023. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's tenants. 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.

15. Trade and other payables

	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Corporate accruals	16,668	22,469	15,211
VAT payable	4,362	4,510	4,465
Total trade and other payables	21,030	26,979	19,676

16. Interest rate derivatives

	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Non-current asset: Interest rate swaps	10,369	35,601	29,572
Non-current asset: Interest rate cap	3,301	1,597	2,290
Current asset: Interest rate swaps	13,150	16,800	12,699
Current asset: Interest rate cap	544	3,584	2,829
Total	27,364	57,582	47,390

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

16. Interest rate derivatives (continued)

	Unaudited 31 December 2023	Audited 30 June 2023	Unaudited 31 December 2022
The fair value at the end of the period comprises:			
At start of the period	57,583	5,114	5,114
Interest rate derivative premium paid on inception	43,708	44,255	41,445
Disposal of interest rate derivatives	(40,612)	(2,878)	-
Changes in fair value of interest rate derivative in the year (P&L)	(22,105)	19,695	3,795
Changes in fair value of interest rate derivative in the year (OCI)	(734)	3,111	-
(Credit) to the income statement (P&L)	(10,167)	(9,671)	-
(Credit) to the income statement (OCI)	(309)	(2,043)	(2,964)
As at the end of the period	27,364	57,583	47,390

To partially mitigate the interest rate risk that arises as a result of entering into the floating rate debt facilities referred to in note 19, the Group has entered into derivative interest rate swaps and caps.

A summary of these derivatives as at 31 December 2023 is shown in the table below:

Issuer	Derivative Type	Notional amount £m	Premium Paid £m	Mark to Market 31 December 2023 £m	Average Strike Rate	Effective Date	Maturity Date
BLB	Interest Rate Swap	£37.3	£1.2	£1.0	2.64%	Mar-23	Mar-26
BLB	Interest Rate Swap	£22.2	£0.7	£0.6	2.64%	Mar-23	Mar-26
BLB	Interest Rate Swap	£27.4	£0.9	£0.7	2.64%	Mar-23	Mar-26
Wells Fargo	Interest Rate Swap	£30.0	£2.2	£1.3	1.23%	Sep-23	Jul-25
SMBC	Interest Rate Swap	£50.0	£3.4	£2.2	1.23%	Sep-23	Jul-25

Issuer	Derivative Type	Notional amount £m	Premium Paid £m	Mark to Market 31 December 2023 £m	Average Strike Rate	Effective Date	Maturity Date
SMBC	Interest Rate Swap	£67.0	£6.2	£3.6	1.53%	Sep-23	Sep-26
Barclays	Interest Rate Cap	£96.6	£2.9	£2.0	1.40%	Aug-24	Jul-25
Wells Fargo	Interest Rate Swap	£204.3	£21.4	£11.4	1.78%	Sep-23	Jul-27
Wells Fargo	Interest Rate Swap	£50.0	£4.5	£2.7	1.50%	Sep-23	Jul-26
SMBC	Interest Rate Cap	£96.6	£1.4	£0.8	1.40%	Jul-25	Jan-26
SMBC	Interest Rate Cap	£30.0	£0.4	£0.3	1.40%	Jul-25	Jan-26
SMBC	Interest Rate Cap	£50.0	£0.8	£0.5	1.40%	Jul-25	Jan-26
SMBC	Interest Rate Cap	£3.0	£0.4	£0.3	1.00%	Nov-23	Jun-27
Total		£764.4	£46.4	£27.4	-	-	-

100% of the Group's outstanding debt as at 31 December 2023 was hedged through the use of fixed rate debt or financial instruments as at 31 December 2023 (30 June 2023: 100%). 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.

16. Interest rate derivatives (continued)

During the period, 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 forward starting caps effective in August 2024 and July 2025 and terminating in July 2025 and January 2026 with a strike rate of 1.4% versus SONIA.

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 changes to the interest rate derivatives in the period the Group no longer applies hedge accounting to the newly acquired swaps including the derivative linked to the Wells Fargo variable facility. Changes in the fair values of derivatives that were designated as cash flow hedges and were effective, were recognised directly in the cash flow hedge reserve and included in other comprehensive income. On derecognition of hedge accounting, the cash flow hedge reserve is recycled to the profit and loss over the remaining term of the Wells Fargo facility.

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

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

17. Bank borrowings

	Unaudited 31 December 2023 £'000	Audited 30 June 2023 £'000	Unaudited 31 December 2022 £'000
Amounts falling due within one year:			
Secured debt	96,560	-	59,408
Unsecured debt	-	62,090	-
Less: Unamortised finance costs	(194)	(234)	(85)
	96,366	61,856	59,323
Amounts falling due after more than one year:			
Secured debt	116,903	291,551	250,555
Unsecured debt	374,299	318,508	380,597
Less: Unamortised finance costs	(3,675)	(4,450)	(5,033)
	487,527	605,609	626,119
Bank borrowing per consolidated statement of financial position	583,893	667,465	685,442

17. Bank borrowings (continued)

A summary of the Group's borrowing facilities as at 31 December 2023 are shown below:

Lender	Facility	Expiry	Expiry ¹⁹	Credit Margin	Variable/hedged	Loan commitment £m	Amount drawn 31 December 2023 £m
HSBC	Revolving credit facility	Sep 2026	Sep 2028	1.7%	SONIA	£50.0	-
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%	£29.0	£29.0
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 - 1.23%	£30.0	£30.0
Wells Fargo	Revolving credit facility	Jul 2025	Jul 2027	2.00%	SONIA	£9.0	-
Syndicate	Revolving credit facility	Jul 2027	Jul 2029	1.50%	SWAP - 1.78%	£250.0	£207.3
Syndicate	Term Loan	Jul 2025	Jul 2026	1.50%	SWAP - 1.23%	£50.0	£50.0
Syndicate	Term Loan	Jul 2026	Jul 2027	1.50%	SWAP - 1.50%	£50.0	£50.0
SMBC	Term Loan	Sep 2026	Sept 2028	1.40%	SWAP - 1.53%	£67.0	£67.0

Lender	Facility	Expiry	Expiry ¹⁹	Credit Margin	Variable/hedged	Loan commitment £m	Amount drawn 31 December 2023 £m
Total						£689.5	£587.8

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

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

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

18. Share capital

Six months to 31 December 2023 (unaudited)	Ordinary shares of 1 pence Number	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Total £'000
As at 1 July 2023	1,246,239,185	12,462	500,386	704,531	1,217,379
Dividends paid in the period	-	-	-	(37,574)	(37,574)
As at 31 December 2023	1,246,239,185	12,462	500,386	666,957	1,179,805

Year to 30 June 2023 (audited)

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	-	-	-	(74,328)	(74,328)
As at 30 June 2023	1,246,239,185	12,462	500,386	704,531	1,217,379

Six months to 31 December 2022 (unaudited)

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
Ordinary shares issued and fully paid - 22 November 2022	866,474	8	869	-	877
Share issue costs	-	-	(43)	-	(43)
Dividends paid in the period	-	-	-	(37,038)	(37,038)
As at 31 December 2022	1,242,633,055	12,426	497,316	741,821	1,251,563

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 31 December 2023 total was 1.246 billion.

19. Cash flow hedge reserve

	Unaudited Six months to 31 December 2023 £'000	Audited Year to 30 June 2023 £'000	Unaudited Six months to 31 December 2022 £'000
At start of the period	3,304	5,114	5,114
Recycled comprehensive loss to profit and loss	(432)	-	-
Cash flow hedge reserve taken to profit or loss for the period on disposal of interest rate derivatives	-	(2,878)	-
Fair value movement of interest rate derivatives in effective hedges	(611)	1,068	1,780
At the end of the period	2,261	3,304	6,894

During the period, a previously hedge accounted derivative in relation to the Wells Fargo facility was terminated. The residual balance of the derivative is recycled to the income statement over the remaining period of the Wells Fargo loan.

20. Capital commitments

The Group had no capital commitments outstanding as at 31 December 2023 (30 June 2023: none; 31 December 2022: none).

21. Transactions with related parties

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

a. Directors

Directors' fees

Nick Hewson, Chairman of the Board of Directors of the Company, is paid fees of £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 Nominations 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. Sapna Shah is paid an additional £5,000 for her role as Chair of Management Engagement Committee.

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 31 December 2023 were as follows:

- Nick Hewson: 1,263,309 shares (0.1% 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 shares (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, is entitled to certain advisory fees under the terms of the Investment Advisory Agreement (the "Agreement") dated 14 July 2021.

21. Transactions with related parties (continued)

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

Until the Adjusted Net Value of the Group exceeds £1,500 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 million 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 period 31 December 2023 the total advisory fees payable to the Investment Adviser were £4,829,236 (six months to December 2022: £5,355,138; year to 30 June 2023: £10,292,302) of which £1,859,105 (30 June 2023: £1,845,144; 31 December 2022: £1,970,754) 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: £54,107; plus (i) £4,386 for any indirect subsidiary of the Company and (ii) £1,702 for each direct subsidiary of the Company.

For the period to 31 December 2023 the total accounting and administration service fee payable to the Investment Adviser was £160,124 (six months to 31 December 2022: £149,548, year to 30 June 2023: £297,475) of which £80,353 (six months to December 2022: £78,322; year to 30 June 2023: £83,614) 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: one per cent of total subscription in respect of ordinary shares subscribed for by any prospective investor introduced by Atrato Partners.

For the period to 31 December 2023 the total introducer fees payable to the affiliate of the Investment Adviser were £Nil (six months to 31 December 2022: £Nil; year to 30 June 2023: £Nil)

Interest in shares of the Company

Details of the direct and indirect interests of persons discharged with managerial responsibility of the Investment Adviser and their close families in the ordinary shares of one pence each in the Company at 31 December 2023 were as follows:

- Ben Green: 1,939,534 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 (0.01% of issued share capital)

22. 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 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.

The EPRA NTA per share calculation are as follows:

	Unaudited 31 December 2023 £'000	Unaudited 31 December 2022 £'000	Audited 30 June 2023 £'000
Net assets per the consolidated statement of financial position	1,124,889	1,197,756	1,217,726
Fair value adjustment for financial assets at amortised cost	(3,631)	(3,423)	(3,609)
Fair value of interest rate derivatives	(27,364)	(47,389)	(57,583)
EPRA NTA	1,093,894	1,146,944	1,156,534
Ordinary shares in issue	1,246,239,185	1,242,633,055	1,246,239,185
NAV per share - Basic and diluted (pence)	90p	96p	98p
EPRA NTA per share (pence)	88p	92p	93p

23. Subsequent events

On 4 January 2024, the Board declared a second interim dividend for the year ending 30 June 2024 of 1.515 pence per share, which was paid on 14 February 2024 to shareholders on the register on 12 January 2024. This has not been included as a liability

as at 31 December 2023.

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Notes to EPRA and other Key Performance Indicators

This appendix does not form part of the notes to the condensed set of consolidated financial statements.

1. EPRA Earnings and Adjusted Earnings per Share

EPRA EPS is a measure of EPS designed by EPRA to present underlying earnings from core operating activities. Adjusted earnings is EPRA earnings adjusted for company specific items to reflect the underlying profitability of the business.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
(Loss) attributable to ordinary Shareholders	(55,263)	(200,830)	(143,798)
<i>Adjustments to remove:</i>			
Changes in fair value of interest rate derivatives (OCI)	1,043	(1,780)	(1,068)
Changes in fair value of interest rate derivatives measured at FVTPL	32,272	950	(10,024)
Changes in fair value of investment properties and associated rent guarantees	57,940	248,064	256,066
Group share of changes in fair value of joint venture investment properties	-	(11,485)	(11,486)
Finance income received on interest rate derivatives held at fair value through profit and loss	(10,167)	(2,085)	(9,671)
Profit on disposal of interest rate derivatives	-	-	(2,878)
Profit on disposal of groups interest in joint venture	-	-	(19,940)
EPRA Earnings	25,825	32,834	57,201
EPRA EPS	2.1p	2.6p	4.6p
Finance income received on interest rate derivatives held at fair value through profit and loss	10,167	2,085	9,671
Joint Venture acquisition loan arrangement fee	-	-	4,009
One-off restructuring costs in relation to the acceleration of unamortised arrangement fees	281	1,518	1,518
Adjusted Earnings	36,273	36,437	72,399
Weighted average number of ordinary shares¹	1,246,239,185	1,241,446,763	1,242,574,505
Adjusted EPS	2.9p	2.9p	5.8p

¹ Based on the weighted average number of ordinary shares in issue for the six months to 31 December 2023.

Notes to EPRA and other Key Performance Indicators continued

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 and financial assets held at amortised cost.

	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
31 December 2023			
IFRS NAV attributable to ordinary shareholders	1,124,889	1,124,889	1,124,889
Fair value of interest rate derivatives	(27,364)	(27,364)	-
Fair value of financial assets held at amortised cost	(3,631)	(3,631)	(3,631)
Purchasers' costs	-	113,418	-
Fair value of debt	-	-	1,538
EPRA metric	1,093,894	1,207,312	1,122,796
EPRA metric per share	88p	97p	90p

30 June 2023

IFRS NAV attributable to ordinary shareholders	1,217,726	1,217,726	1,217,726
Fair value of interest rate derivatives	(57,583)	(57,583)	-
Fair value of financial assets held at amortised cost	(3,609)	(3,609)	(3,609)
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

31 December 2022

	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000
IFRS NAV attributable to ordinary shareholders	1,197,756	1,197,756	1,197,756
Fair value of interest rate derivatives	(47,389)	(47,389)	-
Fair value of financial assets held at amortised cost	(3,423)	(3,423)	(3,423)
Purchasers' costs	-	119,102	-
Fair value of debt	-	-	5,768
EPRA metric	1,146,944	1,266,046	1,200,101
EPRA metric per share	92p	102p	97p

Notes to EPRA and other Key Performance Indicators continued

3. EPRA Net Initial Yield (NIY) and EPRA "topped up" NIY

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.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Investment Property - wholly owned (note 12)	1,667,910	1,625,100	1,685,690
Investment Property - share of joint ventures	-	281,533	-
Completed Property Portfolio	1,667,910	1,906,633	1,685,690
Allowance for estimated purchasers' costs	113,418	139,111	122,990
Grossed up completed property portfolio valuation (B)	1,781,328	2,045,744	1,808,680
Annualised passing rental income - wholly owned	104,201	95,157	99,910
Annualised passing rental income - share of joint venture	-	13,695	-
Annualised non-recoverable property outgoings	(897)	(952)	(1,117)
Annualised net rents (A)	103,304	107,900	98,793
Rent expiration of rent-free periods and fixed uplifts	233	82	447
Topped up annualised net rents (C)	103,537	107,982	99,240
EPRA NIY (A/B)	5.80%	5.27%	5.46%
EPRA "topped up" NIY (C/B)	5.81%	5.28%	5.49%

All rent free periods expire within the year to 31 December 2024

4. EPRA Vacancy Rate

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Estimated rental value of vacant space	648	451	439
Estimated rental value of the whole portfolio	105,371	95,239	100,797
EPRA Vacancy Rate	0.6%	0.5%	0.4%

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.

Notes to EPRA and other Key Performance Indicators continued

5. EPRA Cost Ratio

Administrative & operating costs (both including and excluding costs of direct vacancy) divided by gross rental income.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Administration expenses per IFRS	7,608	7,894	15,429
Service charge income	(3,309)	(2,884)	(5,939)
Service charge costs	3,672	3,153	6,518
Net Service charge costs	363	269	579
Share of joint venture expenses	-	903	938
Total costs (including direct vacant property costs) (A)	7,971	9,066	16,946
Vacant property costs	(85)	(125)	(328)
Total costs (excluding direct vacant property costs) (B)	7,886	8,941	16,618
Gross rental income per IFRS	52,924	46,162	95,823
Less: service charge components of gross rental income	-	-	-
Add: Share of Gross rental income from Joint Ventures	-	8,108	13,529
Gross rental income (C)	52,924	54,270	109,352
EPRA Cost ratio (including direct vacant property costs) (A/C)	15.06%	16.71%	15.50%
EPRA Cost ratio (excluding vacant property costs) (B/C)	14.90%	16.48%	15.20%

1. Property operating expenses are net of costs capitalised in accordance with IFRS of £0.1 million (2022: £nil). Capitalised costs relate to development expenditure on the property portfolio.

Notes to EPRA and other Key Performance Indicators continued

6. EPRA LTV

Net debt divided by total property portfolio and other eligible assets.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Group Net Debt			
Borrowings from financial institutions	583,893	685,442	667,465
Net payables	34,481	33,345	-
Less: Cash and cash equivalents	(37,068)	(35,380)	(37,481)
Group Net Debt Total (A)	581,306	683,407	629,984
Group Property Value			
Investment properties at fair value	1,667,910	1,625,100	1,685,690
Intangibles	-	-	-
Net receivables	-	-	93,620
Financial assets	10,921	10,723	10,819
Total Group Property Value (B)	1,678,831	1,635,823	1,790,129
Group LTV (A-B)	34.63%	41.78%	35.19%

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Share of Joint Ventures Debt			
Bond loans	-	85,420	-
Net payables	-	6,302	-
JV Net Debt Total (A)	-	91,722	-
Group Property Value	-	-	-
Owner-occupied property	-	-	-
Investment properties at fair value	-	291,070	-
Total JV Property Value (B)	-	291,070	-
JV LTV (A-B)	0.00%	31.51%	0.00%
Combined Net Debt (A)	581,306	775,129	629,984
Combined Property Value (B)	1,678,831	1,926,893	1,790,129
Combined LTV (A-B)	34.63%	40.23%	35.19%

7. 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.

Sector	Six months to 31 December 2023 £'000	Six months to 31 December 2022 £'000	Like-for-Like rental growth %
UK	40,786	39,793	2.5%

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 £1.3 bn (31 December 2022: £1.4 bn).

Notes to EPRA and other Key Performance Indicators continued

8. EPRA Property Related Capital Expenditure

Amounts spent for the purchase and development of investment properties (including any capitalised transaction costs).

Group	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Acquisitions	38,391	310,223	377,311
Development	110	-	-
Investment properties	-	-	-
Group Total CapEx	38,501	310,223	377,311
Joint Venture			
Acquisitions	-	-	-
Development	-	-	-
Investment properties	-	-	-
Joint Venture Total CapEx	-	-	-
Total CapEx	38,501	310,223	377,311

Acquisitions relate to purchase of investment properties in the year and includes capitalised acquisition costs. Development relates to capitalised costs in relation to development expenditure on the property portfolio.

9. Total Shareholder Return

Total Shareholder Return ("TSR") is measured by reference to the growth in the Group's share price over a period, plus dividends declared for that period.

	Six months to 31 December 2023 Pence per share	Six months to 31 December 2022 Pence per share	Year to 30 June 2023 Pence per share
Total Shareholder Return			
Share price at start of the period / year	73.00	119.5	119.50
Share price at the end of the period / year	86.90	102.5	73.00
(Decrease)/Increase in share price	13.90	(17.0)	(46.50)
Dividends declared for the year	3.03	3.0	6.00
(Decrease)/Increase in share price plus dividends	16.93	(14.0)	(40.50)
Share price at start of period	73.00	119.5	119.50
Total Shareholder Return	23%	(12%)	(34%)

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.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000	As at 30 June 2023 £'000
Net loan to value			
Bank borrowings	583,893	685,442	667,465
Less cash and cash equivalents	(37,068)	(35,380)	(37,481)
Net borrowings	546,825	650,062	629,984
Investment properties valuation	1,667,910	1,625,100	1,685,690
Net loan to value ratio	33%	40%	37%

11. Annualised passing rent

Annualised passing rent is the annualised cash rental income being received as at the stated date.

COMPANY INFORMATION

Directors	Nick Hewson (Non-Executive Chairman) 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 Limited 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 GY21 2HT
Investment Adviser	Atrato Capital Limited 36 Queen Street London EC4R 1BN
Financial Adviser and Joint Corporate Broker	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 EC4N 7AF
Stock exchange ticker	SUPR
ISIN	GB00BF345X11

This report will be available on the Company's website.

END

^[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

^[4] Calculated as Adjusted Earnings divided by dividends paid during the period

^[5] Kantar: 6 months year on year growth from June to December 2023

^[6] IGD UK grocery market 2024 forecast

[7] Knight Frank, Savills, MSCI, Atrato Capital research. Year ended 31 December 2023

[8] 77% of the Group's income is from Tesco and Sainsbury's. Sale and market share based on Kantar for the period June 2023 to December 2023

[9] Sainsbury's Interim Results 2023/24 and Tesco Interim Results 2023/24. Calculated as an average of like-for-like sales growth from "Supermarkets" (Sainsbury's) and "Large" (Tesco) stores

[10] Kantar: 6 months year on year growth from June to December 2023

[11] Includes one off exceptional cost in relation to the unwind of the SRP totalling £0.9m. The EPRA cost ratio excluding this one off cost would be 15.1%.

[12] Kantar: 6 months year on year growth from June to December 2023

[13] IGD UK grocery market 2024 forecast

[14] Tesco Interim Results 2023/24

[15] Sainsbury's Interim Results 2023/24

[16] IGD channel data 2017 to 2022 actuals, 2023 forecast

[17] Knight Frank, Savills, MSCI, Atrato Capital research. Year ending 31 December 2023

[18] Excluding acquisition costs.

[19] Including uncommitted extension options.

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