Supermarket Income Investments UK (NO16B) LIMITED

(Company registration number 12631932)

Director's Report and Audited Financial Statements

For the period 29 May 2020 (date of incorporation) to 30 June 2021

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Contents

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Corporate information

Director	Jonathan Martin Austen (Appointed 29 May 2020)
Registered office	The Scalpel, 18th Floor 52 Lime Street London EC3M 7AF
Independent Auditor	BDO LLP 55 Baker Street London W1U 7EU
Administrator & Secretary	JTC (UK) Limited The Scalpel, 18th Floor 52 Lime Street London EC3M 7AF
Legal Advisers	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT
Company Registration Number	12631932

Strategic Report

Review of the business
In July 2020, Supermarket Income Investments UK (NO16B) LIMITED (the "Company"), purchased on a freehold basis a Waitrose Store, located in Edenbridge, Kent for total consideration of £7.5 million, reflecting a net initial yield of 4.4%. The property currently has a lease in place which expires in July 2040 and includes 5 yearly CPI-linked (capped and floored) rent reviews.

The Company's profit before taxation for the period 29 May 2020 (date of incorporation) to 30 June 2021 amounted to £178,243, which includes a £119,326 deficit on the revaluation of the Company's investment property which was valued at £7.9 million as at 30 June 2021. Excluding this unrealised revaluation deficit, the Company made a £297,569 profit from activities during the period.

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the Company will continue to meet its liabilities as and when they fall due, for the foreseeable future. In light of the significant impact of COVID-19 on the UK economy, and the retail sector, the Director has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Company's financial statements for the period ending 30 June 2021. The Director believes that this basis is appropriate as the Company benefits from a secure income stream from a lease with a reputable tenant with an initial lease expiry in July 2040 and which will provide sufficient funds for the Company to satisfy its current liabilities as they fall due for payment. All contractual rental income due to the Company during the period and subsequently, has been received on time.

The Company's net current assets as at 30 June 2021 amounted to £1,789,082.

The Company, along with other group affiliates has entered into a loan facility agreement with HSBC Bank plc for a total amount of £100m; which was subsequently increased by an additional £50m and expires in August 2023. The group met its loan covenants throughout the period and has continued to do so thereafter. Funds from this facility may be made available to the Company. As at the period end, £106.1m was utilised under this facility, with no amounts being drawn down by the Company.

Based on the above, the Director believes that there are currently no material uncertainties in relation to the Company's ability to continue in operation for a period of at least 12 months from the date of signing the Company's financial statements. The Director is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Principal risks and uncertainties
The following are the key risks identified by the Director which may have an adverse impact on the future performance of the Company. There is also the possibility of additional risks not yet identified or not yet deemed to have a potentially material adverse impact on the Company's future performance:

a) Property risk
A lower-than-expected performance of the investment property could reduce the property valuation and/or revenue. Market conditions may also reduce revenues generated by the investment property, which may affect the Company's ability to pay dividends and service its debt obligations as they fall due. A severe fall in the value of the investment property may result in a forced sale of the asset to repay our loan commitments, resulting in a fall in the net asset value of the Company.

Mitigation
The investment property is let on a long term lease with an institutional-grade tenant. The lease contains upward-only rent reviews which are inflation linked. These factors help maintain the asset value.

b) Risk of default by lessee
Our investment property being a supermarket property means we directly rely on the performance of the supermarket operator. Insolvencies or poor performance within the UK supermarket sector could affect our revenues earned and property valuations which in turn could affect the Company's ability to pay dividends in the future and service its debt obligations as they fall due.

Mitigation
The investment property is let to one of the largest supermarket operators in the UK by market share. Ensuring our investment property is let to tenants with strong financial covenants and limiting exposure to smaller operators in the sector decreases the probability of a tenant default.

Strategic Report (continued)

Principal risks and uncertainties (continued)

c) Financial risk
Although the Company did not have any bank borrowings drawn at the period end date, it was party to a bank loan agreement. The use of floating rate debt can expose the Company to underlying interest rate movements. Interest on the bank loan facility is payable based on a margin over LIBOR, and following the October 2021 interest payment date, SONIA. Any adverse movements in the floating reference rate could significantly impair the profitability of the Company and in turn the Company's ability to pay dividends to its shareholder and service its debt obligations as they fall due.

Mitigation
The Company as part of the Supermarket Income REIT Plc group has entered into an interest rate derivative contract to partially mitigate the direct exposure to movements in LIBOR, by capping the exposure to LIBOR increases. The aim is to prudently hedge any LIBOR exposure, by utilising hedging instruments with a view to keeping the overall exposure to an acceptable level. The exposure to SONIA is being monitored to ensure it remains at an acceptable level.

d) Taxation risk
The Company is subject to the UK REIT regime as part of the Supermarket Income REIT Plc group. Any failure to comply with the UK REIT conditions could result in the group failing to remain a REIT for UK tax purposes, and any profits and gains generated by the Company being subject to UK corporation tax. This could impact the level of future profits available for distribution to our shareholder.

Mitigation
The board of the ultimate parent company takes direct responsibility for ensuring adherence to the UK REIT regime, by monitoring the REIT compliance. The board of the ultimate parent company has also engaged third-party tax advisers to help monitor REIT compliance requirements and the AIFM also monitors compliance by the group with the REIT regime, the results of which are available to the Director for consideration.

e) Impact of COVID-19
In addition to the immediate health and social care risks, the potential impact of the pandemic could be significant, including the potential for reduced rental collection and a corresponding increase in bad debts, which in turn could impact on banking covenants, asset values, returns and potentially dividends.

Mitigation
Whilst there remain uncertainties about potential future impacts of the pandemic, the risks of reduced rent collection and increased bad debts have lessened; our investment grade tenant continued to meet rent obligations throughout the height of the pandemic during the year.

This report was approved by the sole Director on 23 December 2021:

DocuSigned by:
Jon Austen
661A4B7F9B22422...

Jonathan Martin Austen
Director

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Director's Report

The Director presents his report and the audited financial statements of Supermarket Income Investments UK (NO16B) LIMITED (the "Company") for the period 29 May 2020 (date of incorporation) to 30 June 2021.

The Company was incorporated on 29 May 2020 as a private company under the Companies Act 2006.

Principal activity
The Company's investment policy is to invest in principally freehold and long leasehold operational properties let to UK supermarket operators, which benefit from long-term growing income streams with high quality tenant covenants. The Company aims to focus predominantly on investing in assets with long unexpired lease terms, with index-linked or fixed rental uplifts in order to provide investors with income security and inflation protection.

The Company is wholly-owned by Supermarket Income Investments UK Limited who in turn is wholly-owned by Supermarket Income REIT Plc, a real estate investment trust, traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

Since the period end, the Company continues to focus on the investment objectives of the Company. A review of the business of the Company is included within the Strategic Report on page 2.

Post balance sheet events
Post balance sheet events are described in note 15 to the financial statements.

Disclosure of information to auditor
The Director of the Company who held office at the date of approval of this report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Results and dividends
The results for the period are disclosed on page 9.

During the period 29 May 2020 (date of incorporation) to 30 June 2021, no dividends were declared by the Company.

Director
The Director of the Company who served during the period 29 May 2020 (date of incorporation) to 30 June 2021 and subsequently is as follows:

Jonathan Martin Austen (Appointed 29 May 2020)

Independent auditor
BDO LLP were appointed as auditor during the period and have confirmed their willingness to continue in office.

Director's Report (continued)

Statement of Director's Responsibilities
The Director is responsible for preparing the report and the financial statements in accordance with applicable law and regulations.

Companies law requires the Director to prepare financial statements for each financial period. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable standards under FRS 102 are followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Director confirms that he has complied with his responsibilities and with the above requirements throughout the period and subsequently.

This report was approved by the sole Director on 23 December 2021:

DocuSigned by:
Jon Austen
661A4B7F9B22422...

Jonathan Martin Austen
Director

The Scalpel, 18th Floor
52 Lime Street
London
EC3M 7AF

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SUPERMARKET INCOME INVESTMENTS UK (NO16B) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Supermarket Income Investments UK (NO16B) LIMITED ("the Company") for the period ended 30 June 2021 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report.

Other information

The Director is responsible for the other information. The other information comprises the information included in the Director's Report and Audited Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUPERMARKET INCOME INVESTMENTS UK (NO16B) LIMITED

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Director's report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Director

As explained more fully in the Statement of Director's Responsibilities, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director is 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 Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUPERMARKET INCOME INVESTMENTS UK (NO16B) LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

- In order to address the risk of non-compliance with the REIT regime, we considered a report from the Group's external adviser, detailing the actions that the Group has undertaken to ensure compliance. This paper was reviewed, and the assumptions challenged, by our own internal expert.
- Our tests included agreeing the financial statement disclosures to underlying supporting documentation where relevant, review of Board meeting minutes, enquiries with management and the Director as to the risks of non-compliance and any instances thereof, and we considered the appropriateness of the design and implementation of controls around procurement fraud.
- We also addressed the risk of management override of internal controls by the testing of unusual journals and evaluating whether there was evidence of bias by management and the Director that represented a risk of material misstatement due to fraud. This included evaluating any management bias within the valuation of investment property.

There is also a risk of fraud in relation to the valuation of the Company's investment property where the Director may influence the significant judgements and estimates in respect of investment property valuations in order to achieve property valuation and other performance targets. We evaluated the valuation of the Company's investment property by reference to market reports, and benchmarks and met with the independent valuer to challenge their key valuation assumptions.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Christopher Wingrave

D298E1758BDE42B...

Christopher Wingrave (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street, London W1U 7EU

Date: 24 December 2021

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

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Statement of comprehensive income

for the period 29 May 2020 (date of incorporation) to 30 June 2021

	Notes	Period 29 May 2020 to 30 June 2021 £
Gross rental income	4	350,519
Net rental income		**350,519**
Administrative and other expenses		(52,950)
Changes in fair value of investment property	7	(119,326)
Operating profit	**5**	**178,243**
Finance costs		-
Profit on ordinary activities before taxation		**178,243**
Tax charge for the period	6	-
Profit for the period		**178,243**
Total comprehensive income for the period		**178,243**

The Company has no recognised gains and losses other than those included above that would require disclosure in a separate statement of other comprehensive income.

No operations were discontinued in the period.

The accompanying notes form an integral part of these financial statements.

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Statement of financial position

As at 30 June 2021

	Notes	30 June 2021 £
Fixed assets		
Investment property	7	7,940,000
Current assets		
Loan receivable	8	1,760,664
Trade and other debtors	9	1
Cash and cash equivalents		154,983
Total current assets		**1,915,648**
Total assets		**9,855,648**
Current liabilities		
Loan payable	10	5,606
Trade and other creditors	10	120,960
Total liabilities		**126,566**
Total net assets		**9,729,082**
Capital and reserves		
Share capital	11	2
Capital reduction reserve	11	9,550,837
Retained earnings		178,243
Total equity		**9,729,082**

The financial statements were approved and authorised for issue by the sole Director on 23 December 2021:

DocuSigned by:
Jon Austen
661A4B7F9B22422...

Jonathan Martin Austen
Director

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

for the period 29 May 2020 (date of incorporation) to 30 June 2021

	Notes	Share capital £	Share premium £	Capital reduction reserve £	Retained earnings £	Total £
At 29 May 2020		1	-	-	-	1
Total comprehensive income for the period		-	-	-	178,243	178,243
Transactions with owners						
Share issued during the period	11	1	9,550,837	-	-	9,550,838
Share premium cancelled during the period and transferred to capital reduction reserve	11	-	(9,550,837)	9,550,837	-	-
At 30 June 2021		**2**	**-**	**9,550,837**	**178,243**	**9,729,082**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
for the period 29 May 2020 (incorporation date) to 30 June 2021

1. Basis of preparation

General information
Supermarket Income Investments UK (NO16B) LIMITED (the "Company") is a private company incorporated, domiciled and registered in England and Wales. The register number is 12631932 and the registered address is The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF. The Company is wholly owned by Supermarket Income Investments UK Limited who in turn is wholly-owned by Supermarket Income REIT Plc. The ultimate holding company which prepares consolidated financial statements is Supermarket Income REIT Plc. The registered office of both Supermarket Income Investments UK Limited and Supermarket Income REIT Plc is the same as that of the Company.

The financial statements for the period 29 May 2020 (date of incorporation) to 30 June 2021 are prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and in accordance with the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 102.

Therefore these financial statements do not include:

- The requirements of Section 7 Statement of Cash Flows and paragraph 3.17(d);
- Financial instrument disclosures where equivalent disclosures have been presented in the notes to the consolidated financial statements of Supermarket Income REIT Plc; and
- The disclosure of the remuneration of key management personnel.

This information is included in the consolidated financial statements of Supermarket Income REIT Plc as at 30 June 2021 and these financial statements can be obtained from The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF or from www.supermarketincomereit.com.

Convention
The financial statements are presented in Sterling, which is also the Company's functional currency.

Going concern
The financial statements have been prepared on a going concern basis, which assumes that the Company will continue to meet its liabilities as and when they fall due, for the foreseeable future. In light of the significant impact of COVID-19 on the UK economy, and the retail sector, the Director has placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Company's financial statements for the period 29 May 2020 (date of incorporation) to 30 June 2021. The Director believes that this basis is appropriate as the Company benefits from a secure income stream from a lease with a reputable tenant with an initial lease expiry in July 2040 and which will provide sufficient funds for the Company to satisfy its current liabilities as they fall due for payment. All contractual rental income due to the Company during the period and subsequently, has been received on time.

The Company's net current assets as at 30 June 2021 amounted to £1,789,082.

The Company, along with other group affiliates has entered into a loan facility agreement with HSBC Bank plc for a total amount of £100m which was subsequently increased by an additional £50m and expires in August 2023. The group met its loan covenants throughout the period and has continued to do so thereafter. Funds from this facility may be made available to the Company. As at the period end, £106.1m was utilised under this facility, with no amounts being drawn down by the Company.

Based on the above, the Director believes that there are currently no material uncertainties in relation to the Company's ability to continue in operation for a period of at least 12 months from the date of signing the Company's financial statements. The Director is, therefore, of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

Notes to the financial statements
for the period 29 May 2020 (incorporation date) to 30 June 2021

2. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that would require material adjustment to the carrying amounts of the assets or liabilities in future periods.

The judgements, estimates and assumptions that the Director considers to have a significant risk of causing a material adjustment to the carrying amounts of the Company's assets and liabilities within the next 12 months are outlined as follows.

Recoverability of loan receivables

Loan receivables are made up entirely of amounts due from Supermarket Income Investments UK Limited, the parent of the Company. As the counterparty is a related party who shares a common director, the Director of the Company considers the risk of non recoverability to be minimal. The parent of the Company, through its wholly owned subsidiaries, benefits from a dividend income stream which should enable the parent to repay any loans due from it.

Fair valuation of investment property

The valuation of the Company's investment property is at fair value, which is determined by the Company's independent valuer on the basis of market value in accordance with the RICS Valuation – Global Standards (the 'Red Book'). Recognised valuation techniques are used by the independent valuer which are in accordance with those recommended by the International Valuation Standard Committee.

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

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

Gains or losses arising from changes in the fair value are included in the Statement of Comprehensive Income in the period in which they arise. In order to avoid double accounting, the assessed fair value may be increased or reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives to the Statement of Comprehensive Income.

Operating lease contracts – the Company as lessor

The Company has acquired an investment property that is subject to a commercial property lease with a tenant. The Director has concluded, based on an evaluation of the terms and conditions of the arrangement, that the Company retains all the significant risks and rewards of ownership of the property acquired and so has accounted for the lease as an operating lease rather than a finance lease. Such considerations are required each time that the Company acquires a new property.

3. Summary of significant accounting policies

Rental income

Rental income arising on investment property is included in gross rental income in the Statement of Comprehensive Income and is accounted for on an accruals basis.

Rental income from rent reviews linked to RPI is recognised when the results of those reviews are determinable and reasonably certain.

As permitted by FRS 102, the company accounts for fixed or minimum guaranteed rent review uplifts as they arise in recognition of the fact that they were intended as a proxy for inflation.

Finance costs

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

Notes to the financial statements
for the period 29 May 2020 (incorporation date) to 30 June 2021

3. Summary of significant accounting policies (continued)

Taxation

Entry to the UK-REIT regime

The Company as part of the Supermarket Income REIT Plc group obtained its UK-REIT status, which was effective for the group, from 21 December 2017. Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of the Company's business, comprising both income and capital gains, being exempt from UK taxation.

The Company as part of the Supermarket Income REIT Plc group intends to ensure that it complies with the UK-REIT regulations on an on-going basis and regularly monitors the conditions required to maintain REIT status.

Non-REIT taxable income

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

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

Investment property

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

Investment property is recognised when the risks and rewards of ownership have been transferred and are measured initially at cost, being the fair value of the consideration given, including transaction costs. Transaction costs include transfer taxes and professional fees for legal services. Any subsequent capital expenditure incurred in improving the investment property is capitalised in the period incurred and included within the book cost of the property. All other property expenditure is written off in profit or loss as incurred.

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

The carrying value of investment property is increased or reduced by the total of the unamortised lease incentive or accrued future rental income balances, where relevant. Any remaining balances in respect of properties disposed of are included in the calculation of the profit or loss arising at disposal.

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

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Company will not be able to recover balances in full.

Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents consists of cash at bank.

Trade and other creditors

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

Loans receivable and loans payable

Loans receivable are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is made when there is objective evidence that the Company will not be able to recover all amounts due to it. Loans payable are initially recognised at fair value and are subsequently measured at amortised cost.

Share capital

The share capital relates to amounts subscribed for share capital at its par value.

Share premium

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

Notes to the financial statements for the period 29 May 2020 (incorporation date) to 30 June 2021

3. Summary of significant accounting policies (continued)

Capital reduction reserve

On 3 July 2020, the Company by Special Resolution resolved to cancel the entire share premium of the Company. Subsequent to this resolution being passed the Company transferred £9,550,837 to a capital reduction reserve. This is a distributable reserve.

4. Analysis of rental income

	Period 29 May 2020 to 30 June 2021 £
Rental income – freehold property*	350,519
Gross rental income	350,519

*Derived from a single geographical location being the United Kingdom.

5. Operating profit

The audit fee for the current period has been borne by Supermarket Income REIT Plc, the ultimate parent entity. The auditor's remuneration in respect of the Company amounted to £2,300, part of which has been recharged by the parent entity.

The Company had no employees and the Director received no remuneration from the Company during the period.

6. Taxation

Analysis of the tax charge in the period:

	Period 29 May 2020 to 30 June 2021 £
Current tax:	
UK corporation tax	-
Tax on profit on ordinary activities	-

Factors affecting tax charge for period

The differences between the tax assessed and the standard rate of corporation tax for the period are explained as follows:

	Period 29 May 2020 to 30 June 2021 £
Profit on ordinary activities before tax	178,243
Theoretical tax at UK standard corporation tax rate of 19%	(33,866)
Effects of:	
REIT exempt income and losses	33,866
Total tax charge	-

The Company as part of Supermarket Income REIT Plc (the "Group") operates as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT regime exempts the profits of the Company and 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 and the Group's qualifying activities. Since 21 December 2017 the Group has met all such applicable conditions.

A change in the UK corporation tax rate, announced in the Budget on 3 March 2021, was substantively enacted on 24 May 2021. From 1 April 2023 the main corporation tax rate will increase from 19% to 25%. This may increase the Company's future tax charge accordingly.

Notes to the financial statements for the period 29 May 2020 (incorporation date) to 30 June 2021

7. Investment property

	Period 29 May 2020 to 30 June 2021 £
As at 29 May 2020	-
Acquisitions during the period	7,520,927
Acquisition costs capitalised during the period	538,399
Revaluation movement	(119,326)
Closing value per independent valuation report	7,940,000
Closing fair value per Statement of Financial Position	7,940,000

In July 2020, the Company, acquired the Waitrose Store, located in Edenbridge, Kent for total consideration of £7.5 million. The property acquired was on a freehold basis.

The property has been independently fair valued by Cushman & Wakefield, an accredited independent valuer with recognised and relevant professional qualifications and with experience in the location and category of the investment property being valued. The valuation has been prepared in accordance with the RICS Valuation – Global Standards incorporating the IVSC International Valuation Standards ("the Red Book").

The valuation is the ultimate responsibility of the Director. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed and approved by the Director.

8. Loan receivable

	30 June 2021 £
Debtor due within one year:	
Due from Supermarket Income Investments UK Limited*	1,760,664
Loan receivable	1,760,664

*The intercompany loan is unsecured, interest free and repayable on demand.

9. Trade and other debtors

	30 June 2021 £
Sundry debtors	1
Trade and other debtors	1

10. Current liabilities

	30 June 2021 £
Loan payable to:	
Supermarket Income REIT Plc*	5,606
Loan payable	5,606
Deferred rent	87,146
VAT	16,744
Other trade creditors	17,070
Trade and other creditors	120,960

*The intercompany loan balance is unsecured, interest free and repayable on demand.

Supermarket Income Investments UK (NO16B) LIMITED
Registered number: 12631932

Notes to the financial statements
for the period 29 May 2020 (incorporation date) to 30 June 2021

11. Share capital, share premium and capital reduction reserve

	Shares in issue Number	Share capital £	Share premium £	Capital reduction reserve £	Total £
As at 29 May 2020	1	1	-	-	1
Issue of 1 share on 3 July 2020	1	1	9,550,837	-	9,550,838
Share premium cancelled during the period and transferred to capital reduction reserve	-	-	(9,550,837)	9,550,837	-
As at 30 June 2021	2	2	-	9,550,837	9,550,839

On incorporation the Company allotted 1 ordinary share of £1 at par.

On 3 July 2020, the Company allotted 1 share at £9,550,838 with a nominal value of £1. The consideration received in excess of the nominal value of the shares issued, being £9,550,837, was credited to the share premium account.

On 3 July 2020, the Company by Special Resolution resolved to reduce the share premium of the Company. Subsequent to this resolution being passed the Company transferred £9,550,837 to a capital reduction reserve.

All shares issued during the period were issued at a par value of £1 each and are allotted, issued and fully paid.

12. Operating leases

The Company's investment property is leased to a third party under a non-cancellable operating lease. As at 30 June 2021 the remaining lease term was 19 years and the lease contains 5 yearly CPIH rent reviews. The future minimum lease payments receivable are as follows:

	30 June 2021 £
Within one year	353,424
Between one and five years	1,431,675
More than five years	5,490,398
	7,275,497

13. Capital commitments and contingent liabilities

As at the reporting date the Company did not have any significant commitments in place.

As described in the going concern section of note 1, the Company is party to a loan facility provided to certain group affiliates. The loan is secured by a fixed and floating charge over the assets of the Company and those group affiliates. At 30 June 2021, £106.1m was outstanding under this facility.

14. Ultimate parent company and controlling party

As at 30 June 2021, the Company was a wholly owned subsidiary of Supermarket Income Investments UK Limited which is a wholly owned subsidiary of Supermarket Income REIT Plc, both of which are incorporated in England and Wales, with the latter being the ultimate holding company who prepares consolidated financial statements incorporating both the Company and Supermarket Income Investments UK Limited.

The consolidated financial statements of Supermarket Income REIT Plc are available to the public through its website, www.supermarketincomereit.com.

There is no ultimate controlling party.

Notes to the financial statements
for the period 29 May 2020 (incorporation date) to 30 June 2021

15. Subsequent events

In September 2021, the Company along with certain related entities, agreed an increase of £10m to the £140m HSBC loan facility at a 1.75% margin over 3-month LIBOR, this transitions to 1.75% over SONIA from the October 2021 interest payment date. After the year end date, £77.4m has been drawn down in total by all entities, leaving £72.6m undrawn.

On 28 July 2021, the sole Director resolved to pay an interim dividend on ordinary shares totalling £100,000 (£50,000 per ordinary share).On 4 November 2021, the sole Director resolved to pay an interim dividend on ordinary shares totalling £50,000 (£25,000 per ordinary share).

On 12 November 2021, the Company allotted an additional 1 share at £8,003,552 with a nominal value of £1. The consideration received in excess of the nominal value of the share issued, being £8,003,551 was credited to the share premium account.

On 12 November 2021, the Company by special resolution resolved to cancel the share premium of the Company as at that date. Subsequent to this resolution being passed the Company transferred £8,003,551 to a capital reduction reserve.

There were no other material subsequent events which require disclosure in these financial statements.