Alpha Real Trust

Annual report 2020

For the year ended 31 March 2020

Alpha Real Trust

Contents

www.alpharealtrustlimited.com

Alpha Real Trust Limited targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

Highlights

- NAV per ordinary share 213.7p as at 31 March 2020 (31 March 2019: 204.3p).
- Basic earnings for the year ended 31 March 2020 of 5.8p per ordinary share (31 March 2019: 33.1p per ordinary share and 33.5p per A share).
- Adjusted earnings for the year ended 31 March 2020 of 6.4p per ordinary share (31 March 2019: 3.9p per ordinary and A share)*.
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 17 July 2020.
- Post year end, the sale of the Unity and Armouries site in Birmingham completed at the £4.5 million book value.

* The basis of the adjusted earnings per share is provided in note 9

- **Robust financial position:** a cautious approach to new investment is being taken and cash conserved until the Covid-19 situation unfolds.
- **Diversified portfolio of secured senior and secured mezzanine loan investments;** as at 31 March 2020, the size of ART's secured loan portfolio was £39.9 million, representing 31.9% of the investment portfolio. The portfolio has an average Loan to Value ('LTV') of 55.7% (with average approved LTV between 58% and 76% for mezzanine while the highest approved LTV for senior is 73.1%).
- **Galaxia update:** The Supreme Court of India ruled in favour of ART's dispute regarding its Galaxia investment. In upholding the arbitration award in favour of ART and dismissing Logix's appeal, the court has established a settlement pathway to conclude the legal process.
- **UK industrial portfolio:** phased sale of the UK industrial portfolio has successfully advanced with the sale of the penultimate asset completed.

Trust summary and objective

Strategy

Alpha Real Trust Limited ('the Company' or 'ART' or 'the Group') targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

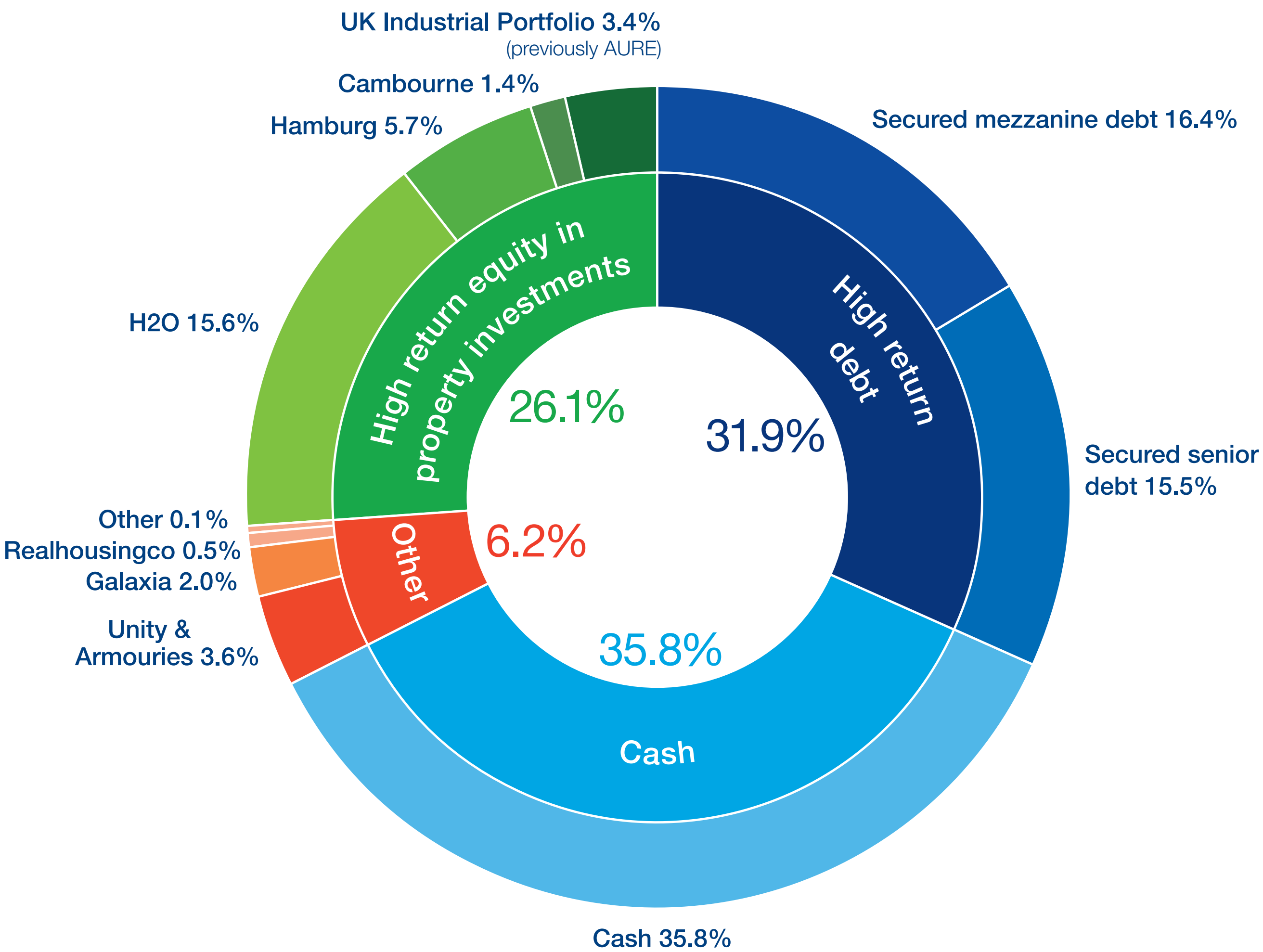
ART currently focusses on asset-backed lending, debt investments and high return property investments in Western Europe that are capable of delivering strong risk adjusted cash flows.

The portfolio mix at 31 March 2020, excluding sundry assets/liabilities, was as follows:

	31 March 2020	31 March 2019
High return debt:	31.9%	26.3%
High return equity in property investments:	26.1%	25.1%
Other investments:	6.2%	6.3%
Cash:	35.8%	42.3%

The Company currently plans to invest the majority of its cash into secured senior or secured mezzanine debt in due course and subject to how the Covid-19 situation unfolds.

Company's asset allocation by sector and investment (by percentage of Group's NAV, based on the balance sheet carrying values, excluding the Company's sundry assets/liabilities) at 31 March 2020 (see page 8 for further details).



Trust summary and objective (continued)



Financial highlights

	12 months ended 31 March 2020	6 months ended 30 September 2019	12 months ended 31 March 2019
Net asset value (£'000)	127,627	126,440	136,673
Net asset value per ordinary and A share	213.7p	213.5p	204.3p
Earnings per ordinary share (basic and diluted) (adjusted)*	6.4p	3.0p	3.9p
Earnings per A share (basic and diluted) (adjusted)*	-	-	3.9p
Total earnings per ordinary and A share (basic and diluted) (adjusted)*	6.4p	3.0p	3.9p
Earnings per ordinary share (basic and diluted)	5.8p	2.7p	33.1p
Earnings per A share (basic and diluted)**	-	-	33.5p
Total earnings per ordinary and A share (basic and diluted)	5.8p	2.7p	33.2p
Dividend per share (paid during the period)	3.6p	1.6p	2.4p

* The adjusted earnings per share includes adjustments for the effect of the fair value revaluation of investment property and indirect property investments, capital element on Investment Manager's fees, the fair value movements on financial assets and deferred tax provisions: full analysis is provided in note 9 to the accounts.

** The difference in basic and diluted EPS between ordinary and A shares was due to the Romulus investment, which was exclusively for the benefit of ART A shareholders (note 9).

Dividends

The current intention of the Directors is to pay a dividend and offer a scrip dividend alternative quarterly to all shareholders.

Listing

The Company's shares are traded on the Specialist Fund Segment ('SFS') of the London Stock Exchange ('LSE'), ticker ARTL: LSE.

Management

The Company's Investment Manager is Alpha Real Capital LLP ('ARC'), whose team of investment and asset management professionals focus on the potential to enhance earnings in addition to adding value to the underlying assets, and also focus on the risk profile of each investment within the capital structure to best deliver attractive risk adjusted returns.

Control of the Company rests with the non-executive Guernsey based Board of Directors.

213.7p

NAV per share 213.7p

6.4p

Adjusted earnings per share of 6.4p

3.6p

Dividends per share paid and declared

Chairman's statement

David Jeffreys
Chairman

I am pleased to present the Company's annual report and accounts for the year ended 31 March 2020.

Given the extraordinary events of the past few months, the health and wellbeing of ART's stakeholders is foremost in our minds. Covid-19 and the unprecedented actions of Governments to lock-down their citizens and shut-down their economies has severely affected the economic backdrop in which the Company operates. ART's investment portfolio benefits from diversification across geographies, sectors and asset types. Over the past year, the Company has focused on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

We are taking a cautious approach to new investment, including new lending, as we see how Covid-19 unfolds.

> Over the past year, the Company has focused on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

Diversified secured lending investment

Over the past year, the Company's portfolio of secured senior and mezzanine loan investments has increased in scale and diversity. The loans are typically secured on real estate investment and development assets with attractive risk adjusted income returns. As at 31 March 2020, ART had committed £47.2 million across forty loans, of which one was completed during the quarter to 31 March 2020 and of which £39.9 million was drawn.

Over the past twelve months the loan portfolio has increased by 10.4%, with £3.7 million of investments, net of repayments, into the secured loan portfolio completing and £1.0 million drawn post year end from previously committed loans. The largest individual loan in the portfolio as at 31 March 2020 is a senior loan of £3.4 million which represents 7.2% of committed capital and 2.7% of the Company's NAV.

Portfolio loans are underwritten against value for investment loans or gross development value for development loans as relevant and collectively referred to as LTV in this report. The portfolio has an average LTV of 55.7% (with an average approved LTV between 58% and 76% for mezzanine loans whilst the highest approved LTV for senior loans is 73.1%).

As at 31 March 2020, 48.6% of the Company's loan investments were senior loans and 51.4% were mezzanine loans, with a weighted average LTV ratio of 55.7% based on commitments, i.e. including amounts available for drawing. The underlying assets in the loan portfolio as at 31 March 2020 had geographic diversification with a London and South East focus. The South of England (including London) accounted for 62%, of which London accounted for 32%, of the committed capital within the loan investment portfolio.

To date the Company has experienced no defaults but the underlying loan portfolio continues to be closely monitored especially in light of the Covid-19 pandemic; where it is considered appropriate, on a case by case basis, underlying loan terms may be extended.

Chairman's statement (continued)

Capital recycling

The phased sale of the Alpha UK Property Fund Asset Company (No. 2) Limited ('Alpha2') portfolio of UK industrial assets has successfully advanced and nears completion with the sale of the penultimate asset completing during the year.

In December 2019, the Group exchanged contracts for the sale of the Unity and Armouries asset in Birmingham (UK) at £4.5 million: the sale completed on 11 June 2020.

H2O, Madrid

ART has a 30% stake in joint venture with CBRE Global Investors in the H2O shopping centre in Madrid. Over the past year H2O has continued to benefit from ongoing asset management initiatives, attracting record visitor numbers during the 2019 calendar year, increasing 5.2% above 2018. During 2019, 9,000 square metres of building rights were transferred to the H2O plot from a small vacant site located in the same planning zone and held as part of the H2O investment. Construction of a new 1,100 square metre retail park unit located on part of the centre's surface car park area has recently been completed.

The Government of Spain required all non-essential stores to close at shopping centres in Spain during the period mid-March to 23 May 2020 as part of a state of emergency. In the case of H2O, the supermarket and pharmacy were open during the entire period along with some other services such as mobile phone shops. Shops with external access and less than 400 square metres have now been allowed to re-open on a phased basis. A practical approach is being taken with tenants to manage any rent arrears whilst seeking to protect the long-term value of the centre. Recognising the impact that Covid-19 is having on the centre's local community, re-opening events are being undertaken to support local charities and also promote spending within the centre via spend-and-win lotteries that help both H2O's customers and retailers. Covid-19 is likely to have a significant impact on the earnings of H2O for the current year.

Galaxia, India

As announced in February 2020, the Supreme Court of India ruled in favour of ART's dispute regarding its Galaxia investment, a 50:50 joint venture with Logix Group ('Logix') that owns an 11.2 acre development site located in NOIDA, the National Capital Region, India. The Supreme Court rejected Logix's challenge of a previous ICC Arbitration award in favour of ART, consistent with previous rulings by the Delhi High Court and a Division Bench of the Delhi High Court.

In upholding the arbitration award in favour of ART and dismissing Logix's appeal, the Supreme Court ordered Logix to pay ART a total of INR 860 million (£9.2 million) within 8 months from 18 February 2020: to date, INR 360 million (£3.8 million) has been deposited with the court. This amount is in addition to INR 215 million (£2.3 million) Logix had deposited with the court, which has subsequently been recovered by ART (INR 100 million (£1.1 million) was received in May 2018 and a further INR 115 million (£1.2 million) in December 2019). Logix is now required to deposit an amount of INR 33 million by 21 July 2020 and the remainder of the liability under the Award of INR 467 million by 18 August 2020. The court permitted Logix to sell the Galaxia site, which was previously charged in favour of ART, in order to raise capital. The site is currently under offer for INR 568 million (£6.1 million) and these sale proceeds will be deposited with the Supreme Court towards the settlement amount. Failure by Logix to make payment would result in higher interest rates applicable under the arbitration award.

Whilst ART continues to actively pursue its claim, the Company carried the joint venture in arbitration in its accounts as at 31 March 2020 at INR 235 million (£2.5 million), which is in line with ART's initial investment less amounts recovered to date; this does not include the additional compensation awarded by the courts due to uncertainty over timing and final value of the award.

Chairman's statement (continued)

Results and dividends

Share buybacks

Under the general authority, approved by Shareholders on 8 January 2019, the Company announced a tender offer on 14 June 2019 for up to 16,666,771 ordinary shares at a price (before expenses) of 175.0 pence per share. In total 13,065,348 ordinary shares were validly tendered under the tender offer. All purchased ordinary shares were cancelled.

The Company additionally purchased 62,124 shares in the market at the average price of £1.55 per share during the twelve month period ended 31 March 2020: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 61,840,870 (including 1,940,797 ordinary shares held in treasury) and the total voting rights in the Company are 59,900,073.

Dividends

Adjusted earnings for the year ended 31 March 2020 are £3.9 million (6.4 pence per ordinary share, see note 9 of the financial statements). This compares with adjusted earnings per ordinary share of 3.9 pence for the previous year.

The Board announces a dividend of 1.0 pence per ordinary share which is expected to be paid on 17 July 2020 (ex-dividend date 25 June 2020 and record date 26 June 2020).

The dividends paid and declared in respect of the year ended 31 March 2020 totalled 4.0 pence per ordinary share representing an annual dividend yield of 2.3% p.a. by reference to the average closing share price over the 12 months to 31 March 2020.

The net asset value per ordinary share at 31 March 2020 is 213.7 pence per share (31 March 2019: 204.3 pence per ordinary share) (see note 10 of the financial statements).

Scrip dividend alternative

Shareholders of the Company have the option to receive shares in the Company in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time.

The number of ordinary shares that an Ordinary Shareholder will receive under the Scrip Dividend Alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted 'ex' the relevant dividend.

The Board has elected to offer the scrip dividend alternative to Shareholders for the dividend for the quarter ended 31 March 2020. Shareholders who returned the Scrip Mandate Form and elected to receive the scrip dividend alternative will receive shares in lieu of the next dividend. Shareholders who have not previously elected to receive scrip may complete a Scrip Mandate Form (this can be obtained from the registrar: contact Computershare (details below)), which must be returned by 3 July 2020 to benefit from the scrip dividend alternative for the next dividend.

Financing

As at 31 March 2020 the Group has one direct bank loan of €9.5 million (£8.4 million), a non-recourse facility, with no financial covenant tests, to an SPV used to finance the acquisition of the Hamburg property.

Further details of individual asset financing can be found under the individual investment review sections later in this report.

Brexit

In January 2020, the UK formally left the European Union ('EU') and has now entered a transition period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit. The absolute impact will be dependent on the terms of the UK's relationship with the EU.

While the UK Parliament has demonstrated its wish to avoid a 'no-deal Brexit', there appears little consensus about what form any future arrangement with the EU should take. No material adverse impacts have been noted within the Company's portfolio to date and risks are mitigated by the Company's investments held in Europe. However, the Board continues to monitor the situation for potential risks to the Company's investments. The economic backdrop is highly dynamic, and the spread of possible outcomes is wide. In this context, ART is well placed to both weather market volatility and take advantage of any dislocation should it arise.

Chairman's statement (continued)

Covid-19 pandemic

The Company is not isolated from the impact of the Covid-19 pandemic on global economies. The Company's long term strategy remains resilient and its short term move to cash conservation and maintaining a cautious approach in commitments to new investments at this time, while potentially reducing income returns, is supporting a robust balance sheet position during these uncertain times. As noted above the Company holds approximately 36% of its assets currently in cash with no current contractual capital commitments. While there is external financing in the Group's investment interests, this is limited and non-recourse to the Company; the borrowings in these special purpose vehicles are compliant with their banking covenants. While the Board's dividend policy intention is unchanged the Company continues to actively monitor its investments and the impact of these unusual economic circumstances on earnings and dividends. See the investment review section for more details on the pandemic's impact on relevant investments.

Bearing in mind the nature of the Group's business and assets, after making enquiries and considering the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

> ART is committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high risk adjusted returns.

Foreign currency

The Company monitors foreign exchange exposures and considers hedging where appropriate. Foreign currency balances have been translated at the period end rates of £1:€1.130 or £1:INR93.539, as appropriate.

Strategy and outlook

Given the extraordinary events of the past few months, the health and wellbeing of ART's stakeholders is foremost in our minds. Covid-19 and the unprecedented actions of Governments to lock-down their citizens and shut-down their economies has severely affected the economic backdrop in which the Company operates. ART's investment portfolio benefits from diversification across geographies, sectors and asset types. Over the past year, the Company has focused on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

ART is committed to its disciplined strategy and investment principles which focus on opportunities that can deliver high risk adjusted returns, while seeking to manage risk through a combination of operational controls, diversification and defensive return structures.

We are taking a cautious approach to new investment, including new lending, as we see how Covid-19 unfolds. This cautious approach, while conserving cash, is likely to significantly reduce earnings in the current year.

David Jeffreys
Chairman
11 June 2020

Investment review

Portfolio overview 31 March 2020

Investment	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]	Note*
High return debt (31.9%)							
Secured senior finance							
Senior secured loans (excluding committed but undrawn facilities of £7.3m)	£19.4m [2]	9.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt (during the period the average senior facilities commitments were £31.1m)	15.5%	17
Secured mezzanine finance							
Second charge mezzanine loans	£20.5m [2]	14.2% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured mezzanine debt and subordinated debt (during the period the average mezzanine facilities commitments were £17.8m)	16.4%	17
High return equity in property investments (26.1%)							
H2O shopping centre							
Indirect property	£19.5m (€22.0m)	6.2% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; medium term moderately geared bank finance facility	15.6%	12
Long leased industrial facility, Hamburg							
Direct property	£7.2m [5] (€8.1m)	7.2% [4]	Germany	Long leased industrial complex in major European industrial and logistics hub	Long term moderately geared bank finance facility	5.7%	13
Alpha UK Property Fund Asset Company (No 2) ('Alpha2')							
Direct property	£4.3m	10.3% [6]	UK	High-yield commercial UK property	100% shareholding; no external gearing	3.4%	12-14
Cambourne Business Park							
Indirect property	£1.7m	9.8% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.4%	12
Other investments (6.2%)							
Unity and Armouries, Birmingham							
Development, Site held for sale	£4.5m	n/a	UK	Central Birmingham residential	Planning consent for 90,000 square feet / 162 units plus commercial. Exchanged contracts for sale at £4.5m in Dec 2019; completion on 11 June 2020.	3.6%	14
Galaxia							
Joint venture in arbitration	£2.5m (INR 235m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	2.0%	15
Realhousingco							
Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.5%	13
Healthcare & Leisure Property Limited							
Indirect property	£0.1m	n/a	UK	Leisure property fund	No external gearing	0.1%	16
Cash and short-term investments (35.8%)							
Cash [7]	£44.8m	0.1% [8]	UK	'On call' and current accounts		35.8%	

* See notes to the financial statements
1 Percentage share shown based on NAV excluding the company's sundry assets/liabilities
2 Including accrued interest/coupon at the balance sheet date
3 The income returns for high return debt are the annualised actual finance income return over the period shown as a percentage of the average committed capital over the period
4 Yield on equity over 12 months to 31 March 2020
5 Property value including sundry assets/liabilities and cash, net of associated debt
6 Annualised income return, post tax
7 Group cash of £46.1m excluding cash held with the Hamburg and Alpha2 holding companies
8 Weighted average interest earned on call accounts

Investment review (continued)

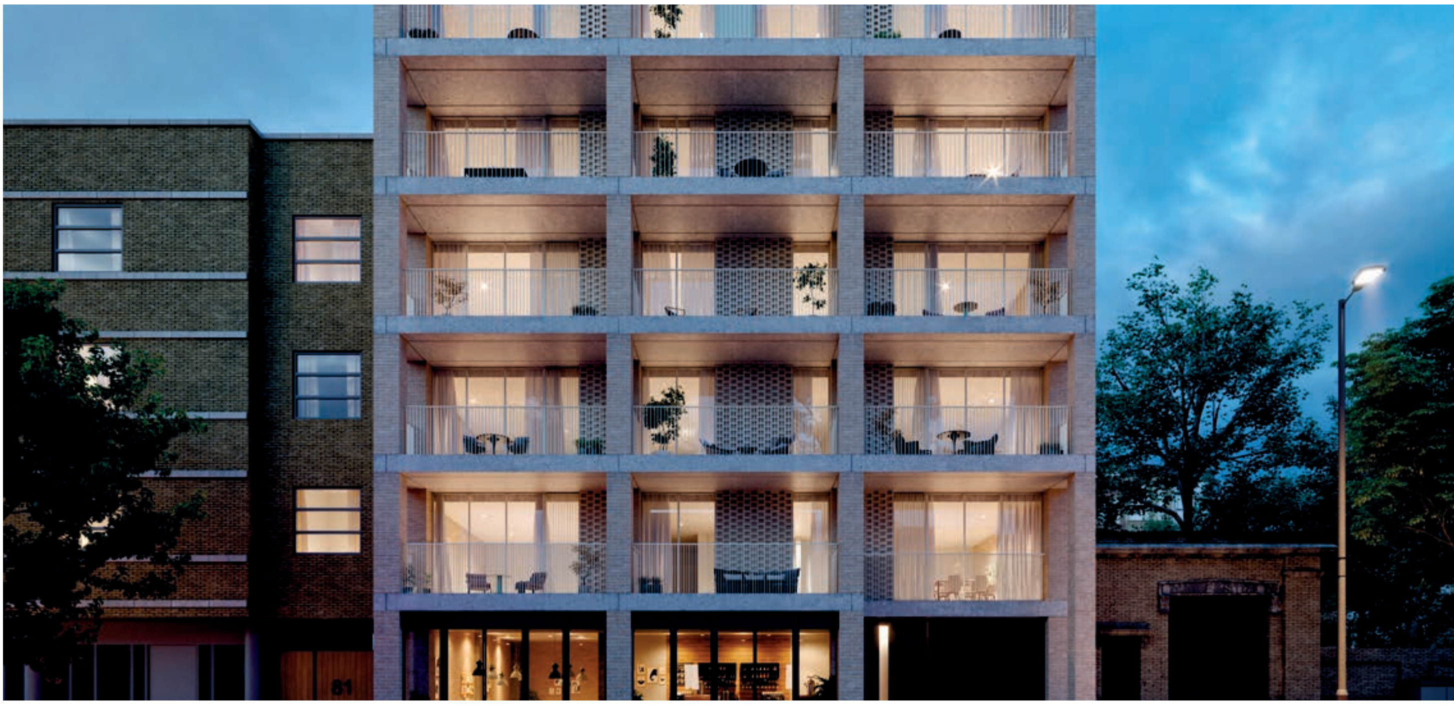
Brad Bauman
Joint fund manager

Gordon Smith
Joint fund manager

High return debt

ART has a portfolio of secured loan investments which contribute a diversified return to the Company's earnings position. The portfolio comprises high return senior (first charge) loans and mezzanine (second charge) loans secured on real estate assets and developments.

ART loan underwriting is supported by the Investment Manager's asset-backed lending experience and knowledge of the underlying assets and sectors, in addition to the Group's partnerships with specialist debt providers.






High return debt

Diversified loan portfolio

Sector	Secured finance
Underlying assets	Diversified loan portfolio focussed on real estate investments and developments
Description	The portfolio comprises high return senior (first charge) loans and mezzanine (second charge) loans secured on real estate assets and developments

Investment review (continued)

Secured finance

Investment	Investment type	Carrying value	Income return p.a.	Property type / underlying security	Investment notes
Secured senior finance	First charge secured loans	£19.4m*	9.0%**	Diversified loan portfolio focussed on real estate investments and developments	Secured debt
Secured mezzanine finance	Second charge secured loans	£20.5m*	14.2%**	Diversified loan portfolio focussed on real estate investments and developments	Second charge secured debt and subordinated debt

* Including accrued interest/coupon at the balance sheet date

** The income returns for high return debt are the annualised actual finance income return over the period shown as a percentage of the average committed capital over the period

ART portfolio of secured senior and mezzanine loan investments have increased in scale and diversity over the past year. These loans are typically secured on real estate investment and development assets with attractive risk-adjusted income returns from either current or capitalised interest or coupon.

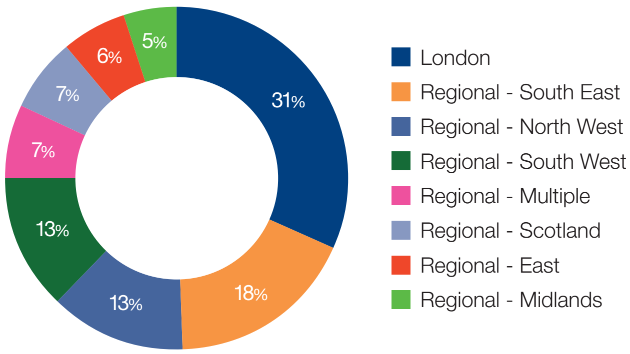
As at 31 March 2020, ART had invested a total amount of £39.9 million across forty loans. Over the past twelve months the loan portfolio has increased by 10.4%, with £3.7 million of investments, net of repayments, into the secured loan portfolio completing and £1.0 million drawn post year end from previously committed loans.

During the year ended 31 March 2020, nine loans were fully repaid and ten loans were partly repaid for total receipts of £25.1 million (including accrued interest and exit fees). Post year end, loan repayments of £4.4 million were received (including accrued interest and exit fees).

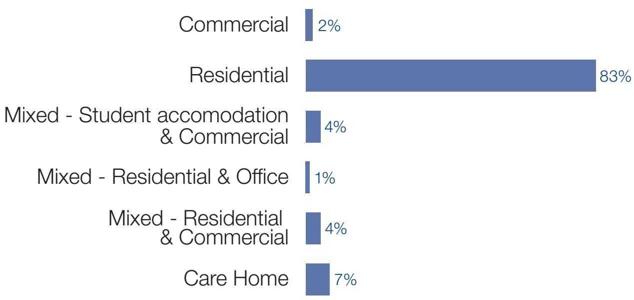
Each loan will typically have a term of up to two years, a maximum 75% loan to gross development value ratio and be targeted to generate attractive risk-adjusted income returns. As at 31 March 2020, the portfolio had an average LTV of 55.7% (with average approved LTV between 58% and 76% for mezzanine while the highest approved LTV for senior is 73.1%).

Considering the Covid-19 impact on the current economic environment, the Group has carried out a stress test of its total Expected Credit Loss (‘ECL’) analysis and, in consideration of the main qualities of its secured loan portfolio, the underlying loans’ LTVs, the number of loans where development is advanced and the number of seasoned facilities, the resulting total ECL was immaterial (see note 2(b)(c)).

Loan portfolio by geography



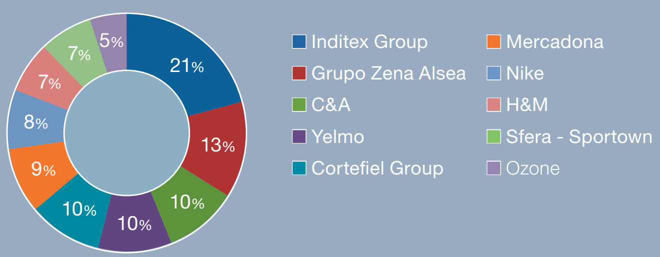
Loan portfolio by asset class (% of approved principal)



H2O
Madrid - Spain

Sector	Retail
Asset	Shopping centre
Tenants include	Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti
Area	52,425 square metres
Description	The property is located in the Rivas-Vaciamadrid district of Madrid. H2O has a primary catchment area of 166,000 people but the location, due to the concentration of complementary retail, has a total catchment of 2.2 million people. The weighted average lease length as at 31 March 2020 is 8.6 years to expiry and 2.2 years to next break.

Top ten tenants (31 March 2020)



Investment review (continued)

High return equity in property investments

ART continues to remain focused on investments that offer the potential to deliver attractive risk-adjusted returns by way of value enhancement through active asset management, improvement of income, selective deployment of capital expenditure and the ability to undertake strategic sales when the achievable price is accretive to returns.

H2O Shopping Centre, Madrid

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
H2O	Indirect property	£19.5m (€22.0m)	6.2%*	High-yield, dominant Madrid shopping centre and separate development site	30% shareholding; 6-year term bank finance facility

* Yield on equity over twelve months to 31 March 2020

H2O shopping centre was opened in 2007 and built to a high standard providing shopping, restaurants and leisure around a central theme of landscaped gardens and an artificial lake. H2O has a gross lettable area of approximately 52,425 square metres comprising 123 retail units. In addition to a multiplex cinema, supermarket (let to leading Spanish supermarket operator Mercadona) and restaurants, it has a large fashion retailer base, including some of the strongest international fashion brands, such as Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti.

ART has a 30% stake in a joint venture with CBRE Global Investors. The continued equity interest allows ART to participate in the future growth of the centre. ARC, the investment manager of ART, continues to manage the shopping centre.

The joint venture has a €65.0 million bank loan which matures in 2024, secured on the shopping centre. As at 31 March 2020, the borrowings were compliant with the loan's covenant terms and are secured on the underlying asset and are non-recourse to the Group's other investments.

The Government of Spain required all non-essential stores to close at shopping centres in Spain during the period mid-March to 23 May 2020 as part of a state of emergency. In the case of H2O, the supermarket and pharmacy were open during the entire period along with some other services such as mobile phone shops. Shops with external access and less than 400 square metres have been allowed open on a phased basis. A practical approach is being taken with tenants to manage any rent arrears whilst seeking to protect the long-term value of the centre.

Recognising the impact that Covid-19 is having on the centre's local community, re-opening events are being undertaken to support local charities and also promote spending within the centre via spend-and-win lotteries that help both H2O's customers and retailers. Covid-19 is likely to have a significant impact on the earnings of H2O for the current year.

The asset management highlights are as follows:

- **Valuation:** €130.6 million (£115.5 million) as at 31 March 2020 (31 March 2019: €131.5 million (£113.2 million)).
- **Centre occupancy:** 93.8% by area as at 31 March 2020 (97.6% by rental value, excluding potential new build leasable area).
- **Weighted average lease length to next break:** 2.2 years and 8.6 years to expiry (31 March 2020).
- **Footfall:** record visitor numbers to the shopping centre have been recorded in 2019, Covid-19 has resulted in a -16.1% decrease over the 3-month period to 31 March 2020.
- **Building rights:** the H2O investment includes a small vacant site located in the same planning zone as H2O from which 9,000 square metres of building have been transferred to the H2O plot which, subject to obtaining building licences, creates potential for the future expansion of the shopping centre.
- **New leasable area:** a new 1,100 square metre retail park unit has recently been completed. The unit is located on part of the centre's surface car park area, as envisaged within a recently completed masterplan design for the shopping centre.

Long leased industrial facility
Hamburg

Sector	Industrial
Underlying assets	Industrial facility in Hamburg Germany
Tenant	Veolia Umweltservice Nord GmbH, part of the Veolia group
Description	Long leased investment with moderately geared, long term, bank finance facility.

Investment review (continued)

UK industrial portfolio

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Alpha UK Property Fund Asset Company (No 2) Limited	Direct property	£4.3m	10.3%*	High-yield commercial UK portfolio	100% of the total ordinary shares in the company

* Annualised income return; post tax

In September 2019, the Company announced that it purchased 66.4% of the shares in Alpha UK Property Fund Asset Company (No 2) Limited ('Alpha2'). The acquisition increased ART's ownership interest in Alpha2 to 100% (see note 2 on page 36 for further details).

The phased sale of the Alpha2 portfolio of UK industrial assets has successfully advanced and nears completion.

The penultimate asset (a property located in Warrington) was sold in October 2019 for £5.2 million. The remaining asset, an industrial property located in Wolverhampton, is held for sale.

As at 31 March 2020, Alpha2 had a net asset value of £4.3 million.

Long leased industrial facility, Hamburg

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Industrial facility, Werner-Siemens-Straße Hamburg, Germany	Direct property	£7.2m* (€8.1m)	7.2%**	High return industrial facility in Hamburg Germany	Long leased investment with moderately geared, long term, bank finance facility

* Property value including sundry assets/liabilities and cash, net of associated debt
** Yield on equity over twelve months to 31 March 2020

ART has an investment of €8.1 million (£7.2 million) in an industrial facility leased to a leading international group.

The property is held freehold and occupies a site of 11.8 acres in Billbrook, a well-established and well-connected industrial area located approximately 8 kilometres south-east of Hamburg centre. Hamburg is one of the main industrial and logistics markets in Germany.

The property is leased to Veolia Umweltservice Nord GmbH, part of the Veolia group, an international industrial specialist in water, waste and energy management, with a 23-year unexpired lease term. Under the operating lease, the tenant is responsible for building maintenance and the rent has periodic inflation linked adjustments.

The Hamburg asset is funded by way of a €9.5 million (£8.4 million) non-recourse, fixed rate, bank debt facility which matures in 2028. The facility carries no financial covenant tests.

This investment offers the potential to benefit from a long term secure and predictable inflation-linked income stream which is forecast to generate stable high single digit income returns. In addition, the investment offers the potential for associated capital growth from an industrial location in a major German logistics and infrastructure hub.





Cambourne Business Park
Cambridge

Sector	Business parks
Underlying assets	Office
Tenants	Netcracker Technology EMEA Ltd, Cambridge Cambourne Centre Ltd (previously called ‘Regus (Cambridge Cambourne) Ltd’) and Carl Zeiss Microscopy Ltd & Carl Zeiss Ltd
Area	9,767 square metres
Description	The asset consists of three Grade A specification modern office buildings located in the town of Cambourne. Phase 1000 is situated at the front of the business park. It is an institutional quality asset with Open B1 Business user planning.

Investment review (continued)

Cambourne Business Park, Phase 1000, Cambridge

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Cambourne Business Park	Indirect property	£1.7m	9.8%*	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility

* Yield on equity over twelve months to 31 March 2020

The Company has an investment of £1.7 million in a joint venture that owns Phase 1000 of Cambourne Business Park. The property consists of three Grade A specification modern office buildings constructed in 1999 and located in the town of Cambourne, approximately 8 miles west of Cambridge city centre. The property comprises 9,767 square metres of lettable area, is self-contained and has 475 car parking spaces. Phase 1000 is situated at the front of the business park with good access and visibility.

Phase 1000 is a high-quality asset, fully let to Netcracker Technology EMEA Ltd, Cambridge Cambourne Centre Ltd (previously called 'Regus (Cambridge Cambourne) Ltd') and Carl Zeiss Microscopy Ltd & Carl Zeiss Ltd. The property has open B1 Business user planning permission and has potential value-add opportunities.

Phase 1000 was purchased in a joint venture partnership with a major overseas investor. ART's equity interest is 10.0% of the total equity invested into a joint venture entity, a subsidiary of which holds the property.

The Cambourne asset is funded by way of a £13.2 million (as at 31 March 2020) non-recourse bank debt facility which matures in 2023.

ARC is the investment manager to the joint venture owning the Cambourne property and continues to pursue opportunities to add value to the investment.

> ART has a diversified portfolio focussed on asset-backed lending and high return property investments in Western Europe that are capable of delivering strong risk adjusted returns. Over the past year, the Company has focused on recycling capital into asset backed lending while reducing exposure to development risk.

Investment review (continued)

Cash balances

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Cash balance*	Cash	£44.8m	0.1%**	'On call' and current accounts	n/a

* Group cash of £46.1m excluding cash held with the Hamburg and Alpha2 holding companies
** weighted average interest earned on call accounts

As at 31 March 2020, the Group had cash balances of £46.1 million, excluding cash held with the Hamburg and Alpha2 holding companies (£1.3 million).

The Group's cash is held with established banks with strong credit ratings.

Other investments

Unity and Armouries, Birmingham

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Unity and Armouries, Birmingham	PRS development, held for sale	£4.5m	n/a	Central Birmingham residential build-to-rent	Planning consent for 90,000 square feet / 162 units plus commercial

ART owns Unity and Armouries, a development site located in central Birmingham with planning consent for 90,000 square feet of net saleable space comprising 162 residential apartments with ground floor commercial areas.

Detailed planning consent for ART's proposed project has been granted. There are no outstanding Section 106/Community Infrastructure Levy requirements and the site has an affordable unit designation for nine flats. The approved project includes 162 residential units with ground floor commercial (3,700 square feet) and car parking spaces.

In December 2019, the Group exchanged contracts for the sale of the Unity and Armouries asset in Birmingham (UK) at £4.5 million and the sale completed on 11 June 2020: the Directors therefore consider £4.5 million to represent fair value of the Unity and Armouries property at the balance sheet date. On 14 April 2020, the Group received a 20% non-refundable deposit in relation to this disposal amounting to £0.9 million plus VAT and £3.6 million plus VAT were received on 11 June 2020.


Unity and Armouries, Birmingham (concept)


Unity and Armouries, Birmingham (concept)

Investment review (continued)

Galaxia, National Capital Region, NOIDA, India

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Galaxia	Joint venture in arbitration	£2.5m (INR 235m)	n/a	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award

As announced in February 2020, the Supreme Court of India ruled in favour of ART's dispute regarding its Galaxia investment, a 50:50 joint venture with Logix Group ('Logix') that owns an 11.2 acre development site located in NOIDA, the National Capital Region, India. The Supreme Court rejected Logix's challenge of a previous ICC Arbitration award in favour of ART, consistent with previous rulings by the Delhi High Court and a Division Bench of the Delhi High Court.

In upholding the arbitration award in favour of ART and dismissing Logix's appeal, the Supreme Court ordered Logix to pay ART a total of INR 860 million (£9.2 million) within 8 months from 18 February 2020: to date, INR 360 million (£3.8 million) has been deposited with the court. This amount is in addition to INR 215 million (£2.3 million) Logix had deposited with the court, which has subsequently been recovered by ART (INR 100 million (£1.1 million) was received in May 2018 and a further INR 115 million (£1.2 million) in December 2019).

Logix is now required to deposit an amount of INR 33 million by 21 July 2020 and the remainder of the liability under the Award of INR 467 million by 18 August 2020. The court permitted Logix to sell the Galaxia site, which was previously charged in favour of ART, in order to raise capital. The site is currently under offer for INR 568 million (£6.1 million) and these sale proceeds will be deposited with the Supreme Court towards the settlement amount. Failure by Logix to make payment would result in higher interest rates applicable under the arbitration award.

Whilst ART continues to actively pursue its claim, the Company carried the joint venture in arbitration in its accounts as at 31 March 2020 at INR 235 million (£2.5 million), which is in line with ART's initial investment less amounts recovered to date; this does not include the additional compensation awarded by the courts due to uncertainty over timing and final value of the award.

Summary

ART has a diversified portfolio focussed on asset-backed lending and high return property investments in Western Europe that are capable of delivering strong risk adjusted returns.

Over the past year, the Company has focused on recycling capital into asset backed lending while reducing exposure to development risk. In this time of heightened uncertainty, the Company is benefiting from that strategy and it has placed the Company on a robust financial footing.

Brad Bauman and Gordon Smith
For and on behalf of the Investment Manager
11 June 2020

Directors

David Jeffreys

Chairman

Aged 60

David Jeffreys qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1985. He works as an independent non-executive director to a number of Guernsey based investment fund companies and managers and is a Guernsey resident.

From 2007 until 2009 David was the Managing Director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds. He was previously the Managing Director of Abacus Fund Managers (Guernsey) Limited between 1993 and 2004, a third party administration service provider to primarily corporate and fund clients.

Phillip Rose

Director

Aged 60

Phillip Rose is a Fellow of the Securities Institute and holds a Master of Law degree. He has over 30 years' experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe, Managing Director of retail and commercial property developer and investor Lend Lease Global Investment and Executive Manager of listed fund General Property Trust.

Phillip is currently CEO of Alpha Real Capital LLP and has been a member of the Management Committee for Hermes Property Unit Trust and its Audit Committee, and has been a Non-Executive Director of Great Portland Estates plc.

William Simpson

Director

Aged 64

William Simpson has over 30 years' experience as a lawyer in financial services, 28 of them in Guernsey. His focus has been on regulated and unregulated investment vehicles, encompassing banking, finance, corporate, investment, trust and regulatory work.

William studied law at Leeds University and practised at the Bar in England before moving to the Cayman Islands and then the British Virgin Islands. William was a partner at Ozannes, now Mourant, and then managing partner of Ogier Guernsey, during which time he also served on the Ogier Group board.

In 2017 William became an independent legal consultant and remains a director of a number of Guernsey based financial services companies. William is a member of the English, Virgin Islands and Guernsey Bars and is also a member of The Society of Trust and Estate Practitioners.

Jeff Chowdhry

Director

Aged 59

Jeff has over 35 years of investment experience, the last 25 of which have been in Emerging Markets, focusing on key countries in Asia, Latin America and EMEA.

Jeff began his career in 1982 and has held portfolio management positions at Royal Insurance plc and BZW Investment Management where he launched and managed one of the very first India funds available to foreign investors.

He has held a number of senior positions at F&C Asset Management (now BMO) including Head of Emerging Market Equities, leading a team of 12 investment professionals responsible for over $5 billion in AUM.

Currently, Jeff is Chairman of RLC Ventures. He has an MBA from Kingston Business School and a BSc (Hons) in Economics from Brunel University, London.

Mel Torode

Director

Aged 40

Mel is Managing Director of Ocorian Administration (Guernsey) Limited ('Ocorian') in Guernsey. She oversees the Guernsey team, leads the financial, business development and strategic objectives of the business and also retains strategic oversight of a portfolio of clients.

Mel has more than 20 years' experience in the fund administration industry in Guernsey, specifically in private equity, property and mezzanine debt. Prior to founding Morgan Sharpe in April 2008 (a fund administration company sold to Ocorian* in 2017), Mel was the Company Secretary of Assura Administration, overseeing the administration of listed property funds. Mel began her career at Guernsey International Fund Managers (now Northern Trust), working on large private equity funds and European holding companies, moving to Mourant International Finance Administration (now State Street) where she spent more than two years concentrating primarily on listed property funds.

Mel is an experienced Non-Executive Director with a portfolio consisting of funds, general partners and associated Guernsey and European holding companies.

* Estera Administration (Guernsey) Limited prior to its merger with Ocorian in early 2020.

Directors' and corporate governance report

The Directors present their report and financial statements of the Alpha Real Trust Limited group ('the Group') for the year ended 31 March 2020.

Principal activities and status

During the year, the Company, an authorised closed-ended Guernsey registered investment company, carried on business as an investment company, investing in direct property, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses.

The Company's shares are traded on the Specialist Fund Segment ('SFS') of the London Stock Exchange ('LSE').

Business review, results and dividend

A review of the business during the year is contained in the Chairman's Statement on pages 4 to 7.

The results for the year to 31 March 2020 are set out in the financial statements.

On 28 February 2020, the Company declared a dividend of 1.0p per share, which was paid to shareholders on 9 April 2020. The intention of the Company is to pay a dividend quarterly.

Share buybacks

Under the general authority, approved by Shareholders on 8 January 2019, the Company announced a tender offer on 14 June 2019 for up to 16,666,771 ordinary shares at a price (before expenses) of 175.0 pence per share. In total 13,065,348 ordinary shares were validly tendered under the tender offer. All purchased ordinary shares were cancelled.

The Company additionally purchased 62,124 shares in the market during the year ended 31 March 2020: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 61,840,870 (including 1,940,797 ordinary shares held in treasury) and the total voting rights in the Company are 59,900,073.

Scrip dividend alternative

In the circular published on 18 December 2018, the Company sought shareholders' approval to enable a scrip dividend alternative to be offered to ordinary shareholders whereby they could elect to receive additional ordinary shares in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time. This was approved by shareholders at the extraordinary general meeting on 8 January 2019.

The number of ordinary shares that an ordinary shareholder will receive under the scrip dividend alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted 'ex' the relevant dividend.

The Board elected to offer the scrip dividend alternative to shareholders for the dividend for the quarter ended 31 December 2019: for this period, scrip dividend alternative elections were received in respect of 29,972,146 shares of the Company, which has resulted in the issue of 186,628 new ordinary shares in April 2020.

Further details on dividends are given in note 8 of the financial statements.

Corporate governance

As a Guernsey registered company traded on SFS, the Company is not required to comply with the UK Corporate Governance Code ('UK Code'). However, as a company authorised by the Guernsey Financial Services Commission ('GFSC'), it is required to follow the principles and guidance set out in the Finance Sector Code of Corporate Governance issued by the GFSC and effective from 1 January 2012 (re-issued in 2016, effective from 1 April 2016 year ends onwards) ('Guernsey Code'). Compliance with the Guernsey Code and general principles of good corporate governance are reviewed by the Board at least annually and, at the date of signing these financial statements, the Board is satisfied that the Company is fully compliant with the Guernsey Code. The Guernsey Code is available for consultation on the GFSC website: www.gfsc.gg.

Directors' and corporate governance report (continued)

The Board

Biographies of the Directors are set out on page 20.

The Directors' interests in the shares of the Company as at 31 March 2020 are set out below:

	Number of ordinary shares 31 March 2020	Number of ordinary shares 31 March 2019
David Jeffreys	15,082	15,000
Phillip Rose	908,691	892,220
Jeff Chowdhry	5,000	10,000
Melanie Torode	-	-
William Simpson	18,000	-

Post year end, Phillip Rose increased his shareholding in ART to 918,726 ordinary shares.

Non-executive directors are not appointed for specified terms; appointments of Board members can be terminated at any time without penalty and the Company's Articles of Association ('Articles') require each Director to retire and submit himself/herself to re-election by the shareholders at every third year. In addition, the Board believes that continuity and experience add to its strength.

The Annual General Meeting of the Company will take place on 7 August 2020. At this meeting, Phillip Rose and Jeff Chowdhry will retire and submit themselves for re-election. The remainder of the Board recommend their re-appointment.

Individual Directors may seek independent legal advice in relation to their duties on behalf of the Company.

Operations of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

1) Review the overall objectives for the Company and set the Company's strategy for fulfilling those objectives within an appropriate risk framework

2) Consider any shifts in strategy that it considers may be appropriate in light of market conditions

3) Review the capital structure of the Company including consideration of any appropriate use of gearing both for the Company and in any joint ventures in which the Company may invest from time to time

4) Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings

5) Review key elements of the Company's performance including Net Asset Value and payment of dividends.

At Board meetings, the Board ensures that all the strategic matters are considered and resolved by the Board. Certain issues associated with implementing the Company's strategy are delegated either to the Investment Manager or the Administrator. Such delegation is over minor incidental matters and the Board continually monitors the services provided by these independent agents. The Board considers matters that are significant enough to be of strategic importance and are therefore reserved solely for the Board (e.g. all acquisitions, all disposals, significant capital expenditure, leasing and decisions affecting the Company's financial gearing).

The Board meets at least quarterly and as required from time to time to consider specific issues reserved for decision by the Board, as noted above.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator. The Investment Manager's report comments on:

- The property and debt markets of the UK, Europe and India including recommendations for any changes in strategy that the Investment Manager considers may be appropriate
- Performance of the Group's portfolio and key asset management initiatives
- Transactional or lending activity undertaken over the previous quarter and being contemplated for the future
- The Group's financial position including relationships with bankers, borrowers and lenders.

These reports enable the Board to assess the success with which the Group's investment strategy and other associated matters are being implemented and also consider any relevant risks and to consider how they should be properly managed.

The Company's service providers issue reports on their own internal controls and these reports are considered by the Board periodically.

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to approve specific transactions and for other matters.

Board and Directors' appraisals

The Board carries out an annual review of its composition and performance (including the performance of individual Directors) and that of its standing committees. Such appraisal includes reviewing the performance and composition of the Board (and whether it has an appropriate mix of knowledge, skills and experience), the relationships between the Board and the Investment Manager and Administrator, the processes in place and the information provided to the Board and communication between Board members.

Directors' and corporate governance report (continued)

Board Meeting attendance

The table below shows the attendance at Board meetings during the year to 31 March 2020:

Director	No of meetings attended
David Jeffreys	18
Phillip Rose	5
Jeff Chowdhry	10
Melanie Torode	19
William Simpson	14
No. of meetings during the year	**22**

Directors' and officers' insurance

An appropriate level of Directors' and officers' insurance is maintained whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

Board Committees

The Board has established three standing committees, all of which operate under detailed terms of reference, copies of which are available on request from the Company Secretary.

Audit and Risk Committee

The Audit and Risk Committee consists of David Jeffreys (Chairman), Jeff Chowdhry and William Simpson. The Board is satisfied that David Jeffreys continues to have the requisite recent and relevant financial experience to fulfil his role as Chairman of the Audit and Risk Committee.

Role of the Committee

The role of the Audit and Risk Committee, which meets at least twice a year, includes:

- The engagement, review of the work carried out by and the performance of the Group's external auditor
- To monitor and review the independence, objectivity and effectiveness of the external auditor
- To develop and apply a policy for the engagement of the external audit firm to provide non-audit services
- To assist the Board in discharging its duty to ensure that financial statements comply with all legal requirements
- To review the Group's financial reporting and internal control policies and to ensure that the procedures for the identification, assessment and reporting of risks are adequate
- To review regularly the need for an internal audit function
- To monitor the integrity of the Group's financial statements, including its annual and half-year reports and announcements relating to its financial performance, reviewing the significant financial reporting issues and judgements which they contain
- To review the consistency of accounting policies and practices
- To review and challenge where necessary the financial results of the Group before submission to the Board.

The Audit and Risk Committee makes recommendations to the Board which are within its terms of reference and considers any other matters as the Board may from time to time refer to it.

Members of the Audit and Risk Committee may also, from time to time, meet with the Group's independent property valuers to discuss the scope and conclusions of their work.

Committee meeting attendance

Director	No of meetings attended
David Jeffreys	4
William Simpson	4
Jeff Chowdhry	4
No. of meetings during the year	**4**

Policy for non audit services

The Committee has adopted a policy for the provision of non-audit services by the Company's external auditor, BDO Limited, and reviews and approves all material non-audit related services in accordance with the need to ensure the independence and objectivity of the external auditor. No services, other than audit-related ones, were carried out by BDO Limited during the year.

Internal audit

The Board relies upon the systems and procedures employed by the Investment Manager and the Administrator which are regularly reviewed and are considered to be sufficient to provide it with the required degree of comfort. Therefore, the Board continues to believe that there is no need for an internal audit function, although the Audit and Risk Committee considers this annually, reporting its findings to the Board.

Directors' and corporate governance report (continued)

Nomination Committee and attendance

The Nomination Committee consists of David Jeffreys (Chairman), Phillip Rose and Melanie Torode.

The Committee's principal task is to review the structure, size and composition of the Board in relation to its size and position in the market and to make recommendations to fill Board vacancies as they arise and it meets at least annually. It met once during the year and all Committee members were present.

Remuneration Committee and attendance

The Remuneration Committee consists of Melanie Torode (Chairman), Jeff Chowdhry and David Jeffreys.

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

As the Company comprises only non-executive directors, the Committee's main role is to determine their remuneration within the cap set out in the Company's Articles. It met once during the year and all Committee members were present.

Remuneration report

The aggregate fees payable to the Directors are limited to £200,000 per annum under the Company's Articles and the annual fees payable to each Director have been increased by only 10% (Chairman) and 15% (other Directors) since the Company's shares were listed in 2006. The fees payable to the Directors are expected to reflect their expertise, responsibilities and time spent on the business of the Group, taking into account market equivalents, the activities, the size of the Group and market conditions. Under their respective appointment letters, each Director is entitled to an annual fee together with a provision for reimbursement for any reasonable out of pocket expenses.

During the year the Directors received the following emoluments in the form of fees from Group companies:

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
David Jeffreys	36,000	33,000
Phillip Rose	25,000	23,000
Serena Tremlett*	-	18,950
Jeff Chowdhry	25,000	23,000
William Simpson	25,000	11,063
Melanie Torode	50,375	32,453
Total	**161,375**	**141,466**

* resigned on 8 October 2018

Internal control and risk management

The Board understands its responsibility for ensuring that there are sufficient, appropriate and effective systems, procedures, policies and processes for internal control of financial, operational, compliance and risk management matters in place in order to manage the risks which are an inherent part of business. Such risks are managed rather than eliminated in order to permit the Company to meet its financial and other objectives.

The Board reviews the internal procedures of both its Investment Manager and its Administrator upon which it is reliant. The Investment Manager has a schedule of matters which have been delegated to it by the Board and upon which it reports to the Board on a quarterly basis. These matters include quarterly management accounts and reporting both against key financial performance indicators and its peer group. Further, a compliance report is produced by the Administrator for the Board on a quarterly basis.

The Company maintains a risk management framework which considers the non-financial as well as financial risks and this is reviewed by the Audit and Risk Committee prior to submission to the Board.

Investment management agreement

The Company has an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, which include proposing a property investment strategy to the Board, identifying property investments to recommend for acquisition and arranging appropriate lending facilities. The Investment Manager is also responsible to the Board for all issues relating to property asset management.

Substantial shareholding

Shareholders with holdings of more than 3 per cent of the voting rights of the Company as at 20 May 2020 were as follows:

Name of investor	No. of voting rights	% held
Alpha Global Property Securities Fund Pte. Ltd	23,162,181	38.67%
Antler Investment Holdings	17,968,851	30.00%
Miton Global Opportunities	2,842,084	4.75%
Rockmount Ventures Ltd	2,318,863	3.87%

Shareholder relations

The Board places high importance on its relationship with its shareholders, with members of the Investment Manager's Investment Committee making themselves available for meetings with key shareholders and sector analysts. Reporting of these meetings and market commentary is received by the Board on a quarterly basis to ensure that shareholder communication fulfils the needs of being useful, timely and effective. One or more members of the Board and the Investment Manager will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

Directors' and corporate governance report (continued)

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group at the end of the year and of the profit or loss of the Group for that year.

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

1) select suitable accounting policies and then apply them consistently;
2) make judgements and estimates that are reasonable and prudent;
3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4) prepare the financial statements on the going concern basis unless it is appropriate to assume that the Group will not continue in business.

So far as each of the Directors is aware, there is no relevant information of which the Group's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Going concern and Covid-19 pandemic

The Company is not isolated from the impact of the Covid-19 pandemic on global economies. The Company's long term strategy remains resilient and its short term move to cash conservation and maintaining a cautious approach in commitments to new investments at this time, while potentially reducing income returns, is supporting a robust balance sheet position during these uncertain times. As noted above the Company holds approximately 36% of its assets currently in cash with no current contractual capital commitments. While there is external financing in the Group's investment interests, this is limited and non-recourse to the Company; the borrowings in these special purpose vehicles are compliant with their banking covenants. While the Board's dividend policy intention is unchanged the Company continues to actively monitor its investments and the impact of these unusual economic circumstances on earnings and dividends. See the investment review section for more details on the pandemic's impact on relevant investments.

Bearing in mind the nature of the Group's business and assets, after making enquiries and considering the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM of the Company will be held in Guernsey at 9.00 am on 7 August 2020 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey. The meeting will be held to receive the Annual Report and Financial Statements, re-elect Directors and propose the reappointment of the auditor and that the Directors be authorised to determine the auditor's remuneration.

Independent Auditor

BDO Limited has expressed its willingness to continue in office as auditor.

By order of the Board,

David Jeffreys
Director

Melanie Torode
Director

11 June 2020

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' and corporate governance report confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- The Chairman's statement and the investment review include a fair review of the development and performance of the business and the position of the Group and note 26 to the financial statements provides a description of the principal risks and uncertainties that the Group faces. Brexit and the Covid-19 pandemic are also considered to be a significant risk and uncertainty for the Group (pages 6 and 7) that the Board will continue to monitor.

By order of the Board,

David Jeffreys
Director

Melanie Torode
Director

13 June 2020

Independent auditors' report

To the Members of Alpha Real Trust Limited

Opinion

We have audited the consolidated financial statements of Alpha Real Trust Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated 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 International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the the group in accordance with the ethical requirements relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – property valuations

We draw attention to Note 2(a) of the financial statements, which details the additional uncertainty in relation to property valuations as a result of Covid-19 which has resulted in the independent valuers including 'Material Uncertainty' paragraphs in relation to the valuations and Covid-19 within their valuation reports. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate;

or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report (continued)

Key audit matter	Audit response

Key audit matter

Property valuations

(notes 2(a), 12, 13, 14 and 27)

The group holds several investment properties within its subsidiaries and joint venture structures.

All properties have been valued using either:

- an independent RICS valuation performed by independent valuers. This is the case for £14.8 million (96%) of the investment properties, £3.6 million (45%) of the assets held for sale and £34.7 million (92%) of the share of properties within joint venture structures; or
- directors' valuation. This is the case for £0.6 million (4%) of the investment properties, £4.5 million (55%) of the assets held for sale and £3 million (8%) of the share of properties within joint venture structures.

Such property valuations are a highly subjective area as the valuers will make judgements as to property yields, quality of tenants, development costs and other variables to arrive at the current open market value of the property.

Such subjectivity and judgements are greater this year due to the Covid-19 pandemic and we were expecting valuers to include 'Material Uncertainty' paragraphs within their valuation reports.

Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Consolidated Statement of Comprehensive Income and the Consolidated Balance Sheet.

Audit response

Independent valuations

For all independent property valuations, we evaluated the competence of the external valuers, which included consideration of their qualifications and expertise. We read the terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

We have read the valuation reports for the properties, noted the material uncertainty clauses inserted as result of the impact of Covid-19 on the property markets, discussed the basis of the property valuations, including the Covid-19 impact, with the valuers to understand the process undertaken by them and confirmed that the valuations were prepared in accordance with professional valuation standards and IFRS.

We have considered the reasonableness, and where appropriate agreed through to supporting documentation (for example rental income) of the inputs used by the valuers in the valuations, such as the terms of void periods, rent free periods and other assumptions that impact the value.

Directors' valuations

For the directors' valuations we obtained the directors' valuation of these assets and noted that the valuation was held at that of the prior year or recent acquisition costs. We challenged whether Covid-19 would have created a decrease in value and the Directors have concluded that, whilst this is feasible, any decrease would not be material, given the quantum of the assets at directors' valuation.

For the asset held for sale at directors' valuation, we obtained the directors' valuation and noted that this was based on an exchanged, but not completed, contract. We obtained the contract, together with the amended version shortly after the year end, which fully supported the carrying value. We challenged whether there could be a default by the buyer and, given the large non-refundable deposit, management and the Directors consider this to be unlikely.

Disclosures

We reviewed and challenge the disclosures in relation to property valuations within note 2(a), 12, 13, 14 and in particular note 27 (sensitivities) given the 'Material Uncertainty' paragraphs within the valuations reports.

Key observations

Based on the procedures performed, we did not identify any indications to suggest that the property valuations were materially misstated.

Given Covid-19's impact on the valuations and the valuers inclusion of a 'Material Uncertainty' paragraph within their valuation reports, we have concluded that it is appropriate for this audit report to contain an 'Emphasis of Matter' paragraph, as set out above, in relation to the property valuations.

Independent auditors' report (continued)

Key audit matter	Audit response
Loans advanced and IFRS 9 (note 17) The group's activities include advancing senior loans and mezzanine loans secured over real estate assets. The amounts advanced represent a material balance in the financial statements and IFRS 9 requires losses to be recognised on an expected, forward looking basis, reflecting the group's view of potential future economic events. As a result, the group's IFRS 9 methodology incorporates a number of estimates to determine the expected credit loss provisions. The judgement and focus around this have increased following the Covid-19 pandemic, which will need to be factored into the forward looking information.	Analysis was obtained from management in relation to the loans and the expected credit loss methodology applied. This included updates to the existing methodology for changes required due to the Covid-19 pandemic, for example increasing the probability of default and also the consequential loss. Through challenge, discussion and review of example scenarios, we gained a detailed understanding of, and evaluated, the expected credit loss methodology applied. This was undertaken with reference to accounting standards and industry practice. We then tested the methodology used in determining the amortised cost amount and recognition of any impairment loss. Our testing included: • updating our understanding of the expected credit loss methodology used under IFRS 9; • conducting a review of the methodology, including key assumptions and parameters, to ensure it is in line with IFRS 9 and appropriate, given our understanding of the loans advanced; • challenging the methodology for the forward-looking impact of Covid-19, together with the adjustments made by management for increased probability of default and consequential loss; • testing the methodology on a sample basis; • assessing the appropriateness of staging criteria assumptions and adherence to IFRS 9 requirements; • evaluating the reasonableness of economic scenarios applied; • testing on a sample basis the integrity of the data used in the models; • testing the collateral coverage of the balance sheet loans and reviewing loan covenants; • challenging management's expected credit loss output in light of the Covid-19 pandemic on individual loans and whether manual adjustments were required over the mechanical model. **Disclosures** We have challenged the disclosures made in relation to the expected credit loss assessment within note 2 to the financial statements and consider these to be appropriate given that expected credit losses are not material to the financial statements. **Key observations** Based on the procedures performed, we did not identify any indications to suggest that the expected credit losses were materially misstated.

Independent auditors' report (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £2,060,000 (2019: £2,250,000), which is based on a level of 1.5% (2019: 1.5%) of total assets. We considered total assets to be the most appropriate benchmark due to the group being an investment fund with the objective of long-term capital growth.

Performance materiality for the group has been set at £1,545,000 (2019: £1,688,000) which is 75% (2019: 75%) of materiality. This has been set based upon the control environment in place, the Directors' assessment of risk and our past experience of adjustments.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to sensitive fees including: management fees, performance fees, legal fees, directors' fees and audit fees. We determined materiality for these areas to be £206,000 (2019: £225,000).

Component materiality has been set for the component which is significant to the group financial statements. Materiality for this component was set at £1,018,250 (2019: £1,125,000).

We agreed with the Audit and risk Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £61,000 (2019: £68,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the group's investments, involvement of the Investment Manager, the accounting and reporting environment and the industry in which the group operates.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment, we considered the group's interaction with the Investment Manager. We assessed the control environment in place within the group to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The group consists of the parent company, numerous subsidiaries and, as at the year end, two joint venture entities. We concluded that the most effective audit approach to the group, with the exception of the joint venture structures, was to audit the consolidated financial statements as if they were one entity, during which we have performed audit procedures on all key risk areas. The materiality applied was that calculated above, which had been based on the consolidated financial information.

For the H2O joint venture entity, we assessed the main property holding company within this structure to be a significant component. This component was subject to a full scope audit and was completed by the component auditor. We issued group instructions to the component auditor and reviewed the key risk areas of their work. In addition to the work performed by the component auditor, we have also performed our own audit procedures on the property valuation.

For the remaining joint venture entity, we concluded that it was significant due to risks identified only and not due to size. This component was not subject to a full scope audit but instead we performed audit procedures over all of the risk areas identified.

Independent auditors' report (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Justin Marc Hallett FCA
For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor
Place du Pré, Rue du Pré, St Peter Port, Guernsey
Date: 11 June 2020

Consolidated statement of comprehensive income

	Notes	For the year ended 31 March 2020 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 March 2019 Revenue £'000	Capital £'000	Total £'000
Income							
Revenue	3	6,119	-	6,119	3,237	-	3,237
Change in the revaluation of investment property and assets held for sale	13-14	-	1,194	1,194	-	1,316	1,316
Gains/(losses) on financial assets and liabilities held at fair value through profit or loss	26	393	(204)	189	1,451	689	2,140
(Loss)/profit on investment property disposal	13	-	(167)	(167)	-	18,061	18,061
Total income		**6,512**	**823**	**7,335**	**4,688**	**20,066**	**24,754**
Expenses							
Property operating expenses	3	(74)	-	(74)	(96)	-	(96)
Investment Manager's fee	25	(2,335)	-	(2,335)	(2,236)	(771)	(3,007)
Other administration costs	4	(1,647)	-	(1,647)	(1,217)	-	(1,217)
Total operating expenses		**(4,056)**	**-**	**(4,056)**	**(3,549)**	**(771)**	**(4,320)**
Operating profit		**2,456**	**823**	**3,279**	**1,139**	**19,295**	**20,434**
Share of profit/(loss) of joint ventures and associates	12	1,579	(1,107)	472	1,678	1,917	3,595
Finance income	5	118	-	118	31	734	765
Finance costs	6	(204)	(55)	(259)	(123)	-	(123)
Profit/(loss) before taxation		**3,949**	**(339)**	**3,610**	**2,725**	**21,946**	**24,671**
Taxation	7	(93)	-	(93)	(57)	(2,123)	(2,180)
Profit/(loss) for the year		**3,856**	**(339)**	**3,517**	**2,668**	**19,823**	**22,491**
Other comprehensive income/(expense) for the year							
Items that may be classified to profit and loss in subsequent periods							
Exchange differences arising on translation of foreign operations		-	610	610	-	(392)	(392)
Other comprehensive income/(expense) for the year		**-**	**610**	**610**	**-**	**(392)**	**(392)**
Total comprehensive income for the year		**3,856**	**271**	**4,127**	**2,668**	**19,431**	**22,099**
Earnings per ordinary share (basic & diluted)	9			**5.8p**			**33.1p**
Earnings per A share (basic & diluted)	9			**n/a**			**33.5p**
Total earnings per ordinary and A share (basic & diluted)	9			**5.8p**			**33.2p**
Adjusted earnings per ordinary and A share (basic & diluted)	9			**6.4p**			**3.9p**

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with IFRS. The revenue and capital columns are supplied as supplementary information permitted under IFRS (see page 37). All items in the above statement derive from continuing operations.

The accompanying notes on pages 36 to 66 form an integral part of the financial statements.

Consolidated balance sheet

	Notes	31 March 2020 £'000	31 March 2019 £'000
Non-current assets			
Investment property	13	15,389	13,764
Joint venture in arbitration	15	2,510	3,882
Investments held at fair value	16	139	390
Investment in joint ventures and associates	12	21,227	28,535
Loans advanced	17	8,631	15,036
Trade and other receivables	19	-	1,929
		47,896	**63,536**
Current assets			
Asset held for sale	14	8,065	4,500
Derivatives held at fair value through profit or loss	27	203	514
Loans advanced	17	31,253	21,100
Collateral deposit	18	1,364	1,302
Trade and other receivables	19	2,427	353
Cash and cash equivalents		46,068	58,181
		89,380	**85,950**
Total assets		**137,276**	**149,486**
Current liabilities			
Trade and other payables	20	(1,291)	(2,097)
Corporation tax	7	(51)	(2,647)
Bank borrowings	21	(32)	(30)
		(1,374)	**(4,774)**
Total assets less current liabilities		**135,902**	**144,712**
Non-current liabilities			
Bank borrowings	21	(8,275)	(8,039)
Deferred tax	7	-	-
		(8,275)	**(8,039)**
Total liabilities		**(9,649)**	**(12,813)**
Net assets		**127,627**	**136,673**
Equity			
Share capital	22	-	-
Special reserve	23	65,118	76,032
Translation reserve	23	28	(582)
Capital reserve	23	40,350	40,689
Revenue reserve	23	22,131	20,534
Total equity		**127,627**	**136,673**
Net asset value per ordinary share	**10**	**213.7p**	**204.3p**

The financial statements were approved by the Board of Directors and authorised for issue on 11 June 2020.

They were signed on its behalf by David Jeffreys and Melanie Torode.

The accompanying notes on pages 36 to 66 form an integral part of the financial statements.

David Jeffreys
Director

Melanie Torode
Director

Consolidated cash flow statement

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Operating activities		
Profit for the year after taxation	3,517	22,491
Adjustments for:		
Change in revaluation of investment property and assets held for sale	(1,194)	(1,316)
Net gains on financial assets and liabilities held at fair value through profit or loss	(189)	(2,140)
Loss/(profit) on subsidiary and investment property disposals	167	(18,061)
Taxation	93	2,180
Share of profit of joint ventures and associates	(472)	(3,595)
Interest receivable on loans to third parties	(4,952)	(2,709)
Finance income	(118)	(765)
Finance costs	259	123
Operating cash flows before movements in working capital	**(2,889)**	**(3,792)**
Movements in working capital:		
Movement in trade and other receivables	2,311	2,416
Movement in trade and other payables	(1,141)	457
Cash flows used in operations	**(1,719)**	**(919)**
Interest received	118	31
Interest paid	(188)	(93)
Tax paid	(2,761)	(82)
Cash flows used in operating activities	**(4,550)**	**(1,063)**
Investing activities		
Acquisition of investment property	(610)	(14,795)
Proceeds on disposal of investment property	5,058	52,474
Redemption of investments	-	34,065
Redemption on preference shares' investment	193	343
Cash recognised on Alpha2 transaction (note 2)	5,787	-
Capital expenditure on investment property	-	(5,203)
Loan interest received	2,099	1,061
Loans granted to third parties	(24,483)	(32,586)
Loans repaid by third parties	23,982	11,465
Dividend income from joint ventures and associates	2,805	385
Dividend income from other investments	-	805
Capital distribution from other investments	-	14
Capital return from joint venture in arbitration	1,232	1,107
Collateral deposit increase	(62)	(452)
Cash flows from investing activities	**16,001**	**48,683**
Financing activities		
Bank loan advanced	-	8,377
Bank loan costs	-	(151)
Share buyback	(22,960)	(2,200)
Share buyback costs	(72)	(29)
Share issue costs	(102)	-
Cash received/(paid) on maturity of foreign exchange forward	165	(118)
Ordinary dividends paid	(673)	(1,634)
Special dividend paid to A shareholders	-	(14)
Cash flows (used in)/from financing activities	**(23,642)**	**4,231**
Net (decrease)/increase in cash and cash equivalents	**(12,191)**	**51,851**
Cash and cash equivalents at beginning of year	**58,181**	**6,273**
Exchange translation movement	78	57
Cash and cash equivalents at end of year	**46,068**	**58,181**

The accompanying notes on pages 36 to 66 form an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2019	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2018	**78,261**	**(190)**	**20,880**	**19,500**	**118,451**
Total comprehensive income for the year					
Profit for the year	-	-	19,823	2,668	22,491
Other comprehensive expense for the year	-	(392)	-	-	(392)
Total comprehensive (expense)/income for the year	**-**	**(392)**	**19,823**	**2,668**	**22,099**
Transactions with owners					
Dividends	-	-	(14)	(1,634)	(1,648)
Share buyback	(2,200)	-	-	-	(2,200)
Share buyback costs	(29)	-	-	-	(29)
Total transactions with owners	**(2,229)**	**-**	**(14)**	**(1,634)**	**(3,877)**
At 31 March 2019	**76,032**	**(582)**	**40,689**	**20,534**	**136,673**
Notes 22, 23					

For the year ended 31 March 2020	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2019	**76,032**	**(582)**	**40,689**	**20,534**	**136,673**
Total comprehensive income for the year					
(Loss)/profit for the year	-	-	(339)	3,856	3,517
Other comprehensive income for the year	-	610	-	-	610
Total comprehensive income/(expense) for the year	**-**	**610**	**(339)**	**3,856**	**4,127**
Transactions with owners					
Cash dividends	-	-	-	(673)	(673)
Scrip dividends	1,586	-	-	(1,586)	-
Share issue for acquisition (note 2)	10,634	-	-	-	10,634
Share issue costs	(102)	-	-	-	(102)
Share buyback	(22,960)	-	-	-	(22,960)
Share buyback costs	(72)	-	-	-	(72)
Total transactions with owners	**(10,606)**	**-**	**-**	**(2,567)**	**(13,173)**
At 31 March 2020	**65,118**	**28**	**40,350**	**22,131**	**127,627**
Notes 22, 23					

The accompanying notes on pages 36 to 66 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2020

1. General information

The Company is a limited liability, closed-ended investment company incorporated in Guernsey. The address of the registered office is given on page 57. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 4 to 7. The financial statements were approved and authorised for issue on 11 June 2020 and signed by David Jeffreys and Melanie Torode on behalf of the Board.

2. (a) Significant accounting policies

A summary of the principal accounting policies is set out below. The policies have been consistently applied for all periods presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in this note.

Basis of preparation

These financial statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standards Interpretations Committee's interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union.

Alpha2 acquisition

In September 2019, the Company announced that it acquired 66.4% of the shares in Alpha2. The acquisition increased ART's ownership interest in Alpha2 to 100%. The acquisition was for Alpha2 net asset value and, due to this investment being previously equity accounted, no gain or loss on the acquisition was generated. The Alpha2 portfolio consisted of two unleveraged industrial assets located in England and had a total net asset value of £16.2 million as at 30 September 2019.

As from 18 September 2019, in accordance with IFRS 3 (Business combinations), the Group has therefore consolidated its 100% investment in Alpha2.

The shares in Alpha2 were purchased from Antler Investment Holdings Limited, a related party to the Company. The shares in Alpha2 were purchased at its adjusted net asset value of £10.6 million with its portfolio independently valued as at 31 August 2019. The purchase consideration for the increased Alpha2 shareholding was satisfied by the re-issue from treasury of 5,030,284 ordinary shares in ART at an issue price equivalent to ART's estimated adjusted net asset value of 211.4p per share (£10.6 million): this was a share based transaction in accordance with IFRS 2. Given the nature of the transaction and the underlying assets, the Company has accounted for the transaction as a property acquisition as opposed to a business combination. As a result, the shares issued as consideration for the acquisition have been recognised at the fair value of the assets received as opposed to the traded price on the day of issue.

Up to the 18 September 2019, the Group accounted for its 33.6% investment in Alpha2 as an associate by the equity method, in accordance with IFRS 11. As from 18 September 2019, income and expenses related to the Alpha2 investment have been recognised in the statement of comprehensive income.

Going concern and Covid-19 pandemic

The Company is not isolated from the impact of the Covid-19 pandemic on global economies. The Company's long term strategy remains resilient and its short term move to cash conservation and maintaining a cautious approach in commitments to new investments at this time, while potentially reducing income returns, is supporting a robust balance sheet position during these uncertain times. As noted above the Company holds approximately 36% of its assets currently in cash with no current contractual capital commitments. While there is external financing in the Group's investment interests, this is limited and non-recourse to the Company; the borrowings in these special purpose vehicles are compliant with their banking covenants. While the Board's dividend policy intention is unchanged the Company continues to actively monitor its investments and the impact of these unusual economic circumstances on earnings and dividends. See the investment review section for more details on the pandemic's impact on relevant investments.

Bearing in mind the nature of the Group's business and assets, after making enquiries and considering the above, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(a) Adoption of new and revised Standards

The following new standards or interpretations, which were effective for the first time for periods beginning on or after 1 January 2019, impacted the Group's accounting policies:

IFRS 16: Leases

The Group has adopted IFRS 16 (Leases), which was due for accounting periods commencing on or after 1 January 2019.

IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17. Accordingly, a lessor will continue to classify its leases as finance leases or operating leases, and account for those two types of leases differently. The adoption of IFRS 16 has not had a material impact on the financial statements.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

(b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, there are a number of standards and interpretations, which have not been applied in these financial statements that were in issue but not yet effective. The Directors anticipate that the adoption of these standards and interpretations will not have a material impact on the financial statements of the Group.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary undertakings controlled by the Company, made up to 31 March each year. Control is achieved where the Company has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power to affect the amount of the investor's returns.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary undertakings to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

ART holds a number of direct property investments through subsidiary undertakings. The Group is actively involved in the management of these property investments and its investment plans do not include specified exit strategies for these investments. As a result, ART plans to hold these property investments indefinitely. ART reports its investment properties at fair value in its financial statements but this is not the primary measurement attribute used by management to evaluate the performance of these investments. In addition, ART holds a number of loans through subsidiary undertakings and management do not measure the performance of these on a fair value basis. In consequence, management have concluded that ART does not meet the definition of an investment entity and the subsidiaries have been consolidated into the Group's balance sheet, rather than being carried at fair value.

When a partial disposal of a subsidiary occurs which causes the entity to no longer be controlled and hence no longer a subsidiary, the Company derecognises the subsidiary and recognises the retained interest initially at fair value.

When calculating the profit or loss on disposal the Company measures the retained interest at fair value and includes this in the fair value of the consideration received. The profit or loss on disposal is the difference between the fair value of the consideration received and the carrying value of the assets and liabilities disposed of, as reduced by transactions costs incurred and any foreign currency gains or losses recycled on disposal as per the foreign currency accounting policy in respect of group companies.

(b) Joint ventures and associates

The Group applies IFRS 11 to its joint arrangement. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

The Group also applies IAS 28: this standard defines an associate as an entity over which an investor exercises significant influence. Under IAS 28 significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies and, where an entity holds 20% or more of the voting power (directly or through subsidiaries) of an investee, it is presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case. Associates are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture or associate equals or exceeds its interests in the joint venture or associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture or associate) the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains on transactions between the Group and its joint ventures or associates are eliminated to the extent of the Group's interest in the joint ventures or associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Galaxia joint venture is classified as joint venture in arbitration and has been included within the financial statements based on the current estimate of realisable value to the Group.

Presentation of statement of comprehensive income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies ('AIC'), supplementary information, which analyses the statement of comprehensive income between items of a revenue and capital nature, has been presented alongside the statement of comprehensive income (see note 23).

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

Revenue recognition

Rental income and service charge income from investment property leased out under an operating lease are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Rental revenues are accounted for on an accruals basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Upon early termination of a lease by the lessee, the receipt of a surrender premium, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately recognised as revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Other income is recognised when received.

Leasing

(a) Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(b) Company as a lessee

Under IFRS 16, all leases are recorded on the balance sheet as liabilities, at the present value of the future lease payments, along with an asset reflecting the right to use the asset over the lease term.

The one leasehold property owned by the Company does not give rise to a material lease obligation.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The consolidated financial statements are presented in Sterling, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(ii) income and expenses for each statement of comprehensive income are translated at the average exchange rate prevailing in the period; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

For Euro based balances the year end exchange rate used is £1:€1.130 (2019: £1:€1.161) and the average rate for the year used is £1:€1.144 (2019: £1:€1.134). The year-end exchange rate used for Indian rupee (INR) balances is £1: INR93.539 (2019: £1:INR90.155) and the average rate for the year used is £1:INR90.127 (2019: £1:INR91.777).

Expenses

All expenses are accounted for on an accruals basis and include fees and other expenses paid to the Administrators, the Investment Manager and the Directors. In respect of the analysis between revenue and capital items, presented within the statement of comprehensive income, all expenses have been presented as revenue items except expenses which are incidental to the acquisition of an investment property which are included within the cost of that investment property. The Investment Manager’s performance fee is charged to the capital column in the statement of comprehensive income in order to reflect that the fee is due primarily to the capital performance of the Group.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in the overseas subsidiaries. The Group has subsidiary operations in Cyprus and India. The Group also holds investments in Spain, owned through investment entities in Luxembourg and the Netherlands, in Germany, owned through a limited partnership incorporated in Germany with corporate partners incorporated in Luxembourg, in the United Kingdom either directly or owned through investment entities incorporated in Jersey (Cambourne and Wolverhampton) or owned through limited partnerships incorporated in the UK (PRS investment). The Group may therefore be liable to taxation in these overseas jurisdictions.

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which they become obligations of the Group.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost being the fair value of consideration given including related transaction costs.

After initial recognition at cost and/or upon commencement of construction, investment property is carried at its fair value based on half yearly professional valuations made by independent valuers or based on Directors' valuations. The independent valuers' valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual and the International Valuation Standards Committee.

Gains or losses arising from changes in fair value of investment property are included in the statement of comprehensive income in the period in which they arise. Investment property is treated as acquired when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer.

All costs directly associated with the purchase of an investment property and all subsequent expenditures qualifying as acquisition costs are capitalised.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. For this to be the case, the asset must be available for immediate sale in its present condition, management must be committed to and have initiated a plan to sell the asset which, when initiated, was expected to result in a completed sale within twelve months. Property assets that are classified as held for sale are measured at fair value in accordance with IAS 40 Investment Property.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

The investing policy means the Group may invest in real estate opportunities unconstrained by geography, but with a particular focus on the UK, Europe and Asia. At present, for management purposes, the Group is organised into one main operating segment being Europe.

The Group's revenue has been generated in the UK for £5,287,000 and in Germany for £832,000 (Year ended 31 March 2019: £2,721,000 in the UK and £516,000 in Germany).

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

The Group's non-current assets are located in the following countries:

Country	2020 £'000	2019 £'000
UK	11,121	24,527
Germany	14,779	15,693
Spain	19,486	19,434
India	2,510	3,882
Total	**47,896**	**63,536**

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(a) Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI') – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss ('FVTPL').

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Group only has financial assets that are classified as amortised cost or FVTPL.

(a) (i) Financial assets held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributed to its acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses as detailed in (b) below. Loans advanced, trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

Cash deposits with banks that cannot be accessed within a period of three months are not considered to be cash and cash equivalents.

(a) (ii) FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL which includes derivative financial assets. Financial assets at FVTPL are initially and subsequently measured at fair value.

Fair value measurement

The Group measures certain financial instruments such as derivatives and non-financial assets such as investment property, at fair value at the end of each reporting period, using recognised valuation techniques and following the principles of IFRS 13. In addition, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(a) (iii) Impairment of financial assets

IFRS 9 has introduced the Expected Credit Loss ('ECL') model which brings forward the timing of impairments.

(i) Trade receivables

Under IFRS 9 for trade receivables, including lease receivables, the Group has elected to apply the simplified model as the trade receivables all have a maturity of less than one year and do not contain a significant financing component. Under the simplified approach the requirement is to always recognise lifetime ECL. Under the simplified approach practical expedients are available to measure lifetime ECL but forward looking information must still be incorporated. Under the simplified approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime ECLs at all times.

The directors have concluded that any ECL on trade receivables would be highly immaterial to the financial statements due to the low credit risk of the relevant tenants.

(ii) Other receivables

The directors have concluded that any ECL on other receivables would be highly immaterial to the financial statements due to:

- collateral being held in the form of a security deposit for the Group's hedging strategy which can be called back at any time with no capital loss should the Group decide to terminate its foreign exchange contracts before their contractual maturity;
- The credit risk of the underlying banks which are utilised by the law firms by whom cash on escrow is kept before completion of a given senior or mezzanine loan.

The remaining other receivables are immaterial to the financial statements and therefore no assessment of the ECL has been completed.

(iii) Loans advanced

Despite the loans having a set repayment term, all but one of the loans have a repayable on demand feature so the Group may call for an early repayment of their principal, interest and applicable fees at any time.

Considering the 'on demand' clause, the Group concluded that the loans are in stage 3 of the IFRS 9 model as should the loans be called on demand the borrowers would technically be in default as repayment would only be possible on demand if the property had already been sold.

The one loan that has a repayment term has an immaterial lifetime ECL and hence no detailed analysis of whether the loan has suffered a significant increase in credit risk has been performed.

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was issued and its characteristics. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

(b) (i) Derivatives at fair value through profit or loss

This category comprises only 'out-of-the-money' financial derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income. Other than derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

The fair value of the Group's derivatives is based on the valuations as described in note 27.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (a) Significant accounting policies (continued)

(b) (ii) Financial liabilities measured at amortised cost

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method;
- Bank borrowings which are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

(b) (iii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company or Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

(c) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares and class A shares are classified as equity instruments. For the purposes of the disclosures given in note 22 the Group considers all its share capital, share premium and all other reserves as equity. The Group is not subject to any externally imposed capital requirements.

(d) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

2. (b) Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Investment property

The Group uses the valuations carried out by its independent valuers as the fair value of its investment properties, whenever possible. The valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Investment property which is in the course of construction is carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date: upon commencement of construction, valuations will be carried out by independent valuers.

As at the year ended 31 March 2020, the following valuations have been carried out:

(a) (i) Independent valuations

Independent valuations were carried out for the following investment properties:

- The directly owned properties located in Hamburg (Germany) and Wolverhampton (UK) (notes 13, 14 and 27);
- An indirectly owned property located in Madrid (Spain), held through CBRE H2O Rivas Holding NV (note 12 and 27)

The valuations reports received from the independent valuers included a 'Material Valuation Uncertainty' paragraph in relation to the market risks linked to the Covid-19 pandemic: this paragraph explains that valuers have attached less weight to previous market evidence for comparison purposes to achieve an informed opinion on value. Valuers therefore recommend that a higher degree of caution should be attached to these valuations compared to valuations carried out under normal circumstances.

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. (b) Significant accounting estimates and judgements (continued)

(a) (ii) Directors' valuations

Directors' valuations were carried out for the following investment properties:

- The directly owned properties located in Birmingham and Liverpool (UK) (notes 13, 14 and 27);
- An indirectly owned property located in Cambridge (UK), held through Scholar Property Holdings Limited (note 12 and 27)

In December 2019, the Group exchanged contracts for the sale of the Unity and Armouries asset in Birmingham (UK) at £4.5 million and the sale completed on 11 June 2020: the Directors therefore consider £4.5 million to represent fair value of the property at the balance sheet date.

On 22 November 2019, the Group completed the acquisition of a residential property located in Liverpool, UK for £0.6 million: given the recent timing of the acquisition, the Directors consider £0.6 million to represent fair value of the property at the balance sheet date.

With the market uncertainty caused by the Covid-19 pandemic and as noted by external valuers above, at the present time, a higher degree of caution should be attached to valuations.

(b) Estimate of fair value of joint venture in arbitration – Galaxia

The Galaxia joint venture is classified as a joint venture in arbitration and has been included within the financial statements based on the current estimate of realisable value to the Group (see note 15).

The Directors, taking into consideration legal advice received throughout the legal process, consider it appropriate to carry this joint venture in the Company's accounts at INR 235.0 million, which is the amount invested less the INR 215 million (£2.3 million) deposit recovery described in note 15. The amount recognised in the accounts excludes the additional compensation awarded by the courts due to uncertainty over timing of the Award: this could amount to further proceeds of INR 860 million (£9.2 million).

(c) Loans advanced – ECLs

The Group has calculated the lifetime ECLs of the loans advanced using the following three scenarios:

1. Credit criteria unchanged or strengthened since inception and expectation of repayment in full;
2. Credit criteria weakened since inception but expectation of full recovery;
3. Credit criteria significantly weakened and potential for repayment to not be fully achieved.

The criteria referred to above incorporate the following:

- Progress of development against plan;
- Borrower's financial position;
- Property market data.

In calculating the recoverable amounts under the three scenarios, the Directors have taken into account the available collateral under the loan agreements including charges over property and other guarantees.

Based on the above process the Directors have concluded that ECLs on loans advanced are immaterial to the financial statements.

Considering the Covid-19 impact on the current economic environment, the Group has carried out a stress test of its total Expected Credit Loss ('ECL') analysis and, in consideration of the main qualities of its secured loan portfolio, the underlying loans' LTVs, the number of loans where development is advanced and the number of seasoned facilities, the resulting total ECL was immaterial.

Notes to the financial statements (continued)

For the year ended 31 March 2020

3. Revenue

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Rental income	1,075	486
Service charge income	90	42
Rental revenue	**1,165**	**528**
Interest receivable on loans to third parties (note 17)	4,952	2,709
Interest revenue	**4,952**	**2,709**
Other income	2	-
Other revenue	**2**	**-**
Total	**6,119**	**3,237**

At 31 March 2020, the Group recognised non recoverable property operating expenditure as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Service charge income	90	42
Property operating expenditure	(74)	(96)
Non recoverable property operating income/(expenditure)	**16**	**(54)**

The Group recognises revenue from its investment in two commercial properties: a long leased industrial facility in Hamburg, Germany and an industrial property in Wolverhampton, UK.

The Group also owns a residential property located in Liverpool, UK.

The Hamburg property is leased to Veolia Umweltservice Nord GmbH, part of the Veolia group, an international industrial specialist in water, waste and energy management, with a 24-year unexpired lease term. Under the operating lease, the tenant is responsible for building maintenance and the rent has periodic inflation linked adjustments.

The Wolverhampton property, which is being actively marketed for sale, is leased to British Steel Ltd, a company currently in liquidation.

The Liverpool residential property is comprised of seven units, five of which are in occupation by private individuals with a six month term contract.

At 31 March 2020, the Group had contracted with its tenants for the following future minimum lease payments:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Within one year	1,389	754
In the second to fifth years inclusive	3,404	3,018
After five years	13,663	13,393
Total	**18,456**	**17,165**

Notes to the financial statements (continued)

For the year ended 31 March 2020

4. Other administration costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Auditors' remuneration for audit services	106	94
Accounting and administrative fees	537	443
Non-executive directors' fees	161	141
Other professional fees	843	539
Total	**1,647**	**1,217**

5. Finance income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Bank interest receivable	118	31
Foreign exchange gain	-	734
Total	**118**	**765**

6. Finance costs

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest on bank borrowings	204	123
Foreign exchange loss	55	-
Total	**259**	**123**

The above finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at amortised cost other than those disclosed above.

Notes to the financial statements (continued)

For the year ended 31 March 2020

7. Taxation

(a) Parent Company

The Parent Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 (31 March 2019: £1,200) was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in its overseas subsidiaries. The Company has investments, subsidiaries and joint venture operations in Luxembourg, the United Kingdom, Germany, the Netherlands, Spain, Cyprus, Jersey and India.

(b) Group

The Group's tax expense for the year comprises:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Deferred tax	-	(526)
Current tax	93	2,706
Tax Expense	**93**	**2,180**

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Tax expense reconciliation		
Profit before taxation	3,610	24,671
Less: income not taxable	(12,163)	(18,586)
Add: expenditure not deductible	8,029	7,468
Un-provided deferred tax asset movement	757	184
Total	**233**	**13,737**

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Analysed as arising from		
Cyprus entities	148	114
Dutch entity	127	176
India entity	-	-
Luxembourg entities	-	-
German investments	(42)	13,447
UK investment	-	-
Total	**233**	**13,737**

Tax at domestic rates applicable to profits in the countries concerned is as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cypriot taxation at 12.50%	19	14
Dutch taxation at 20%	25	35
India taxation at 22.66%	-	-
Luxembourg entities at an average rate of 29.22%*	55	3
German taxation at 15.825%	(6)	2,128
UK taxation at 20%	-	-
Total	**93**	**2,180**

* The taxation incurred in Luxembourg relates to the net wealth tax charge

Notes to the financial statements (continued)

For the year ended 31 March 2020

7. Taxation (continued)

(c) Deferred taxation

The following is the deferred tax recognised by the Group and movements thereon:

	Revaluation of Investment Property £'000	Accelerated tax depreciation £'000	Tax Losses £'000	Other temporary differences £'000	Total £'000
At 31 March 2018	**526**	**-**	**(119)**	**119**	**526**
Release to income	(526)	-	(61)	61	(526)
At 31 March 2019	**-**	**-**	**(180)**	**180**	**-**
Release to income	-	-	(277)	277	-
At 31 March 2020	**-**	**-**	**(457)**	**457**	**-**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes available for offset against future profits.

	2020 £'000	2019 £'000
Deferred tax liabilities	457	180
Deferred tax assets	(457)	(180)
Total	**-**	**-**

At the balance sheet date the Group has unused tax losses of £1.5 million (2019: £0.6 million). Due to the unpredictability of future taxable profits, the Directors believe it is not prudent to recognise a deferred tax asset for the unused tax losses at the year end.

Unused tax losses in Luxembourg, Spain, Germany and the United Kingdom can be carried forward indefinitely. Unused tax losses in the Netherlands can be carried forward for nine years. Unused tax losses in Cyprus can be carried forward for five years.

8. Dividends

Dividend reference period	Shares '000	Dividend per share	Paid £	Date of payment
Quarter ended 31 December 2018	23,259	0.8p	186,069	26 April 2019
Quarter ended 31 March 2019	23,117	0.8p	184,933	19 July 2019
Quarter ended 30 June 2019	17,602	1.0p	176,019	18 October 2019
Quarter ended 30 September 2019	12,583	1.0p	125,833	10 January 2020
Total			**672,854**	

On 9 April 2020, the Company paid a dividend for the quarter ended 31 December 2019 of 297,417 (1.0p per share).

The Company will pay a dividend for the quarter ended 31 March 2020 on 17 July 2020.

In accordance with IAS 10, the dividends for quarters ended 31 December 2019 and 31 March 2020 have not been included in these financial statements as the dividends were declared or paid after the year end. The current intention of the Directors is to pay a dividend quarterly.

Scrip dividend alternative

In the circular published on 18 December 2018, the Company sought shareholders' approval to enable a scrip dividend alternative to be offered to ordinary shareholders whereby they could elect to receive additional ordinary shares in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time. This was approved by shareholders at the extraordinary general meeting on 8 January 2019.

The number of ordinary shares that an ordinary shareholder will receive under the scrip dividend alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted 'ex' the relevant dividend.

During the year, the Board elected to offer the scrip dividend alternative to shareholders for every quarterly dividend, which resulted in the issue of 908,291 new ordinary shares. These shares are rank pari passu in all respects with the Company's existing issued ordinary shares.

The Board also elected to offer the scrip dividend alternative to shareholders for the dividend for the quarter ended 31 December 2019: elections were received in respect of 29,972,146 shares, which resulted in the issue of 186,628 new ordinary shares. These shares have been issued at a price of 160.6 pence each and were rank pari passu in all respects with the Company's existing issued ordinary shares. These new shares have been admitted to trading on the SFS of the LSE on 9 April 2020.

Notes to the financial statements (continued)

For the year ended 31 March 2020

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 March 2020 Ordinary share	Year ended 31 March 2019 Ordinary share	Year ended 31 March 2019 A share	Year ended 31 March 2019 Total
Earnings per statement of comprehensive income (£'000)	3,517	21,181	1,310	22,491
Basic and diluted earnings pence per share	**5.8**	**33.1**	**33.5**	**33.2**
Earnings per statement of comprehensive income (£'000)	3,517	21,181	1,310	22,491
Net change in the revaluation of investment properties and assets held for sale	(1,194)	(1,240)	(76)	(1,316)
Loss/(profit) on investment property disposal	167	(17,020)	(1,041)	(18,061)
Movement in fair value of investments	58	(260)	(17)	(277)
Loss/(profit) on foreign exchange forward	146	(375)	(23)	(398)
Net change in the revaluation of the joint ventures' and associates' investment property and interest rate swaption	1,107	(1,807)	(110)	(1,917)
Investment Manager's fees (performance fee)	-	726	45	771
Tax and deferred tax	-	2,000	123	2,123
Romulus capital return	-	-	(14)	(14)
Foreign exchange loss/(gain)	55	(692)	(42)	(734)
Adjusted earnings	**3,856**	**2,513**	**155**	**2,668**
Adjusted earnings per share	**6.4**	**3.9**	**3.9**	**3.9**
Weighted average number of shares ('000s)	**60,381**	**63,905**	**3,907**	**67,812**

The adjusted earnings are presented to provide what the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Group adjusts basic earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

10. Net asset value per share

	31 March 2020	31 March 2019
Net asset value (£'000)	127,627	136,673
Net asset value per ordinary share	**213.7p**	**204.3p**
Total number of shares ('000s)	**59,713**	**66,902**

Notes to the financial statements (continued)

For the year ended 31 March 2020

11. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries as at 31 March 2020, including the name, country of incorporation and the proportion of ownership interest is given below.

Name of subsidiary undertaking	Class of share	% of class held with voting rights	Country of incorporation	Principal activity
Alpha Tiger Cyprus Holdings Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 2 Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 3 Limited	Ordinary shares	100	Cyprus	Holding Company
Luxco 111 SARL	Ordinary shares	100	Luxembourg	Holding Company
Skyred International SARL	Ordinary shares	100	Luxembourg	Holding Company
Iron Bridge Finance Luxembourg SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Rock Rose SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Rock Rose 2 SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Guava SARL	Ordinary shares	100	Luxembourg	Holding Company
KMS Holding NV	Ordinary shares	100	Netherlands	Holding Company
Alpha Tiger Guernsey Holdings No.1 Ltd	Ordinary shares	100	Guernsey	Holding Company
ART Germany 1 Ltd	Ordinary shares	100	Guernsey	Property Company
Alpha UK Property Fund Asset Company ('No. 2') Limited	Ordinary shares	100	Jersey	Property Company
Realhousingco Ltd	Ordinary shares	100	United Kingdom	Property Company

The Group also owns one limited partnership in Germany (Sixteen Rock Rose Sàrl & Co Vermögensverwaltungs KG), which held its Frankfurt data centre investment, sold on 13 February 2019.

12. Investment in joint ventures and associates

The movement in the Group's share of net assets of the joint ventures and associates can be summarised as follows:

	Alpha2 31 March 2020 £'000	H2O 31 March 2020 £'000	SPHL 31 March 2020 £'000	Total 31 March 2020 £'000	Alpha2 31 March 2019 £'000	H2O 31 March 2019 £'000	SPHL 31 March 2019 £'000	Total 31 March 2019 £'000
As at 1 April	**7,403**	**19,434**	**1,698**	**28,535**	**-**	**17,653**	**1,679**	**19,332**
Additions	-	-	-	-	6,347	-	-	6,347
Group's share of joint venture and associate profits before fair value movements and dividends	117	1,318	144	1,579	196	1,355	127	1,678
Fair value adjustment for interest rate swaption	-	(3)	-	(3)	-	(63)	-	(63)
Fair value adjustment for investment property	(421)	(650)	(33)	(1,104)	860	843	277	1,980
Dividends paid by joint venture and associate to the Group	(1,597)	(1,141)	(68)	(2,806)	-	-	(385)	(385)
Foreign exchange movements	-	528	-	528	-	(354)	-	(354)
Transfer of the associate's assets and liabilities for consolidation (note 2)	(5,502)	-	-	(5,502)	-	-	-	-
As at 31 March	**-**	**19,486**	**1,741**	**21,227**	**7,403**	**19,434**	**1,698**	**28,535**

The Group's investments in joint ventures and associates can be summarised as follows:

- Joint venture investment in the H2O shopping centre in Madrid, Spain: the Group holds a 30% equity investment in CBRE H2O Rivas Holding NV ('CBRE H2O'), a company based in the Netherlands, which in turn owns 100% of the Spanish entities that are owners of H2O. CBRE H2O is a Euro denominated company hence the Group translates its share of this investment at the relevant year end exchange rate with movements in the period translated at the average rate for the period. As at 31 March 2020, the carrying value of ART's investment in CBRE H2O was £19.5 million (€22.0 million) (31 March 2019: £19.4 million (€22.5 million)).
- Joint venture investment in the Phase 1000 of Cambourne Business Park, Cambridge, UK: the Group holds a 10% equity investment in the Scholar Property Holdings Limited ('SPHL') group, owner of the property. As at 31 March 2020, the carrying value of ART's investment in Scholar Property Holdings Limited was £1.7 million (31 March 2019: £1.7 million).
- Associate investment in a portfolio of investment properties in the UK industrial sector: until 18 September 2019, the Group held a 33.6% equity investment in Alpha2, owner of two industrial assets in the United Kingdom. On 18 September 2019, the Group acquired the remaining 66.4% of the Alpha2 shares from Antler Investment Holdings Limited, a related party to the Group. As from 18 September 2019, the Group has therefore consolidated its 100% investment in Alpha2.

Notes to the financial statements (continued)

For the year ended 31 March 2020

12. Investment in joint ventures and associates (continued)

Foreign exchange movement is recognised in other comprehensive income.

The investments in CBRE H2O and Alpha2 are deemed to be significant and material for the Group; the CBRE H2O and Alpha2 financial information can therefore be summarised as follows:

Statement of comprehensive income	Alpha2 Period ended 18 September 2019 £'000	H2O Year ended 31 March 2020 £'000	Alpha2 Year ended 31 March 2019 £'000	H2O Year ended 31 March 2019 £'000
Revenue	732	11,749	906	11,313
Change in the revaluation of investment property	(628)	(2,167)	2,557	2,810
Loss on investment property disposal	(625)	-	-	-
Total (expense)/income	**(521)**	**9,582**	**3,463**	**14,123**
Operating expenses	(385)	(5,428)	(323)	(5,055)
Operating (loss)/profit	**(906)**	**4,154**	**3,140**	**9,068**
Finance costs	-	(1,310)	-	(1,522)
(Loss)/profit before taxation	**(906)**	**2,844**	**3,140**	**7,546**
Taxation	-	(629)	-	(960)
(Loss)/profit for the period	**(906)**	**2,215**	**3,140**	**6,586**
Other comprehensive income/(expense)	-	-	-	-
Total comprehensive (expense)/income	**(906)**	**2,215**	**3,140**	**6,586**

Balance sheet	H2O 31 March 2020 £'000	Alpha2 31 March 2019 £'000	H2O 31 March 2019 £'000
Investment property	115,531	20,375	113,243
Derivatives held at fair value through profit or loss	-	-	10
Non-current assets	**115,531**	**20,375**	**113,253**
Trade debtors	2,003	234	1,449
Other debtors	209	448	449
Cash	7,230	1,794	7,623
Current assets	**9,442**	**2,476**	**9,521**
Trade and other payables	(3,266)	(834)	(2,967)
Bank borrowings	(130)	-	(123)
Current liabilities	**(3,396)**	**(834)**	**(3,090)**
Bank borrowings	(56,626)	-	(54,903)
Non-current liabilities	**(56,626)**	**-**	**(54,903)**
Net assets	**64,951**	**22,017**	**64,781**
Equity	51,728	40,883	51,728
Translation reserve	-	-	(892)
Capital and revenue reserve	13,223	(18,866)	13,945
Total equity	**64,951**	**22,017**	**64,781**

The fair value of the H2O property in Madrid (Spain) of €130.6 million (£115.5 million) (31 March 2019: €131.5 million (£113.2 million)) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Savills Aguirre Newman Valoraciones y Tasaciones S.A. ('Savills Aguirre'), an independent valuer not connected to the Group. The Savills Aguirre's valuation as at 31 March 2020 included a Material Uncertainty clause due to significant market risks linked to the Covid-19 pandemic (see note 2(b)(a)(i) for more details).

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ('RICS'). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

Notes to the financial statements (continued)

For the year ended 31 March 2020

12. Investment in joint ventures and associates (continued)

The fair value of the H2O and Wolverhampton properties are based on unobservable inputs. The following methods, assumptions and inputs were used to estimate fair values of the investment properties:

31 March 2020 – H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average / Value
Europe	£115,531 (€130,550)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€189.4
				Discount rate	12.21%

Sensitivity analysis for the 31 March 2020 valuation of the H2O shopping centre:

Significant unobservable inputs	Change applied	Fair value change €'000	Change applied	Fair value change €'000
ERV per sqm p.a.	-10%	€121,280	+10%	€136,458
Discount rate	-1%	€138,260	+1%	€120,309

31 March 2019 – H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average / Value
Europe	£113,243 (€131,475)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€170.6
				Discount rate	12.90%

31 March 2019 – Wolverhampton, UK

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average / Value
UK	£5,675	16,355	Comparable transactions analysis	Comparable evidence	Not applicable

The fair value of Phase 1000 of Cambourne Business Park, Cambridge (UK) of £30.5 million (31 March 2019: £30.5 million (independent valuation by Avison Young)) has been arrived at on the basis of a Directors' valuation carried out at the balance sheet date (see note 2(b)(a)(ii) for more details).

The CBRE H2O group bank borrowings represent the €65.0 million provided by Aareal Bank to Alpha Tiger Spain 1, SLU less the balance of unamortised deferred finance costs of €1.0 million. This loan has a 1.887% fixed coupon, matures on 18 May 2024 and is secured by a first charge mortgage against the Spanish property. The borrowings are non-recourse to the Group's other investments.

The Scholar Property Holdings Limited group bank borrowings' balance as at 31 March 2020 is £13.2 million: this is a loan provided by Natwest PLC to Scholar Property Investments Limited, which is secured by a first charge mortgage against the UK property. This loan has a 2.0% margin over 3 month LIBOR and matures on 6 September 2023.

Alpha2 has no bank borrowings.

Notes to the financial statements (continued)

For the year ended 31 March 2020

13. Investment property

	31 March 2020 £'000	31 March 2019 £'000
Fair value of investment property at 1 April	**13,764**	**33,021**
Additions	610	14,795
Subsequent capital expenditure after acquisition	-	5,203
Disposals	-	(35,864)
Fair value adjustment in the year	629	1,316
Foreign exchange movement	386	(207)
Transfer to asset held for sale	-	(4,500)
Fair value of investment property at 31 March	**15,389**	**13,764**

Investment property is represented by a property located in Hamburg (Werner-Siemens-Straße), Germany and a property located in Liverpool, UK.

The fair value of the Hamburg property of €16.7 million (£14.8 million) (31 March 2019: €16.0 million (£13.8 million)) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Cushman & Wakefield ('C&W') (note 27).

C&W are independent valuers and are not connected to the Group.

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ('RICS'). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

On 22 November 2019, the Group completed the acquisition of a residential property located in Liverpool, UK for £0.6 million. The fair value of this property has been arrived at on the basis of a Directors' valuation.

Foreign exchange movement is recognised in other comprehensive income.

14. Asset held for sale

	31 March 2020 £'000	31 March 2019 £'000
Fair value at 1 April	**4,500**	**-**
Additions	8,225	-
Disposals	(5,225)	-
Fair value adjustment in the year	565	-
Transfer from investment property	-	4,500
Fair value at 31 March	**8,065**	**4,500**

Assets held for sale are represented by the Unity and Armouries property in Birmingham (UK), sold post year end, and a property located in Wolverhampton (UK), which is actively marketed for disposal.

The disposal of £5.2 million represents the sale of the Warrington property, acquired in September 2019 as part of the Alpha2 transaction (see page 36).

In December 2019, the Group exchanged contracts for the sale of the Unity and Armouries asset in Birmingham (UK) at £4.5 million and the sale completed on 11 June 2020: the Directors therefore consider £4.5 million to represent fair value of the Unity and Armouries property at the balance sheet date (31 March 2019: £4.5 million as per GVA's valuation) (see note 2(b)(a)(ii) for more details).

The fair value of the Wolverhampton property in the UK of £3.6 million (31 March 2019: £5.7 million) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by CBRE (note 27). The CBRE's valuation as at 31 March 2020 included a Material Uncertainty clause due to significant market risks linked to the Covid-19 pandemic (see note 2(b)(a)(i) for more details).

CBRE are independent valuers and are not connected to the Group.

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ('RICS'). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

Notes to the financial statements (continued)

For the year ended 31 March 2020

15. Joint venture in arbitration

	31 March 2020 £'000	31 March 2019 £'000
As at 1 April	**3,882**	**4,921**
Capital return	(1,232)	(1,106)
Foreign exchange movement	(140)	67
As at 31 March	**2,510**	**3,882**

The Galaxia investment is carried at INR 235.0 million (£2.5 million) (31 March 2018: INR 350.0 million, £3.9 million), adjusted to reflect the recovery by the Company of INR 115 million (£1.2 million) during the year.

In 2007 the Group entered into a joint venture agreement with Logix Group. Shortly after entering into the agreement both parties entered into a Settlement Agreement to sell the land and distribute the proceeds. Logix did not complete their responsibilities under the Settlement Agreement and the Group then initiated arbitration against Logix.

In January 2015, the International Chamber of Commerce ('ICC') Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group, which was found to have breached the Terms of the Shareholders Agreement with the Group. The ICC awarded the Group the return of its entire capital invested of INR 450.0 million, with interest at 18% p.a. from 31 January 2011 to 20 January 2015, and the refund of all costs incurred towards the Arbitration. The total award amounted to £9.2 million based on exchange rates at the time. Additionally, a further 15% p.a. interest on all sums was awarded to the Group from 20 January 2015 until the actual date of payment by Logix of the Award.

Logix appealed the ICC decision at the Delhi High Court but the court ruled in the Group's favour. Logix continued to appeal at the Supreme Court of India until February 2020 when the Supreme Court of India upheld the Award and dismissed the Special Leave Petition filed by the Logix Group and its Promoters challenging the said Award: this represents the end of the legal process since the Award cannot be challenged anymore in any forum in India. As a result of this process, the Supreme Court ordered Logix to pay to the Company a final Award (the 'Award') amount of INR 1,075.0 million (£11.5 million at the year end exchange rate). Previously, the Supreme Court had already ordered Logix to deposit INR 200 million with the court and permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) in May 2018 and INR 100 million plus INR 15 million of interest accrued (£1.2 million, including interest accrued) in December 2019. A further INR 360 million is currently on deposit with the Supreme Court however the Supreme Court may direct these funds towards payment of outstanding liabilities with local authorities where the property is located. Logix Group is now required to deposit an amount of INR 33 million by 21 July 2020 and the remainder of the liability under the Award of INR 467 million by 18 August 2020. ART continues to actively pursue Logix and its directors for the recovery of the Award.

The Directors, taking into consideration legal advice received throughout the legal process, consider it appropriate to carry this joint venture in the Company's accounts at INR 235.0 million, which is the amount invested less the INR 215 million (£2.3 million) deposit recovery described above. The amount recognised in the accounts excludes the additional compensation awarded by the courts due to uncertainty over timing of the Award.

Foreign exchange movement is recognised in other comprehensive income.

16. Investments held at fair value

	31 March 2020 £'000	31 March 2019 £'000
Non-current		
As at 1 April	**390**	**6,798**
Disposals	-	(6,347)
Redemptions during the year	(193)	(343)
Movement in fair value of investments	(58)	282
As at 31 March	**139**	**390**

The investments, which are disclosed as non-current investments held at fair value, are as follows:

- Europip (participating redeemable preference shares): during the year, ART received £0.2 million as return of capital from Europip, which is currently in the process of being voluntarily wound up; ART's residual value of the investment as at 31 March 2020 was approximately £30,000 (31 March 2019: £0.2 million).
- HLP (participating redeemable preference shares): HLP provides quarterly valuations of the net asset value of its shares; the net asset value of the investment as at 31 March 2020 was £0.1 million (31 March 2019: £0.2 million).

The Board considers that the investments in Europip (due to timing for completion of the winding up procedures) and HLP will be held for the long term and has therefore disclosed them as non-current assets.

Notes to the financial statements (continued)

For the year ended 31 March 2020

17. Loans advanced

	31 March 2020 £'000	31 March 2019 £'000
Non-current		
Loans granted to third parties	8,523	14,983
Interest receivable from loans granted to third parties	108	53
Total loans at amortised cost	**8,631**	**15,036**
Loans at fair value through profit or loss	-	-
Total non-current loans	**8,631**	**15,036**
Current		
Loans granted to third parties	28,569	16,363
Interest receivable from loans granted to third parties	1,421	1,026
Total loans at amortised cost	**29,990**	**17,389**
Loans at fair value through profit or loss	1,263	3,711
Total current loans	**31,253**	**21,100**

As at 31 March 2020, the Group had granted a total of £38.4 million (31 March 2019: £35.1 million) of senior and mezzanine loans to third parties. These comprised forty loans to UK entities, which assisted with the purchase of property developments, predominantly residential, in the UK. These facilities typically range from a 6 to 36 month term and entitle the Group to a weighted average overall return on the investment of 14.2% for mezzanine loans and 9.0% for senior loans.

All senior and mezzanine loans granted by the Group are secured asset backed real estate loans. Senior loans have a first charge security and mezzanine loans have a second charge security on the property developments.

Loans at fair value through profit or loss represents loans that failed the 'solely payment of principal and interest' criteria of IFRS 9 to be measured at amortised cost: this is due to a loan facility agreement's clause that links those loans to a return other than interest.

Loans maturity of the total £38.4 million loans granted by the Group at year end, can be analysed as follows:

	Less than 6 months £m	6 to 12 months £m	12 to 24 months £m	Over 24 months £m	Total £m
Non-current	-	-	5,023	3,500	**8,523**
Current	17,372	12,460	-	-	**29,832**

As at 31 March 2020, no loans are overdue for payment.

Post year end, further loans totalling £1.0 million have been funded and loan repayments of £4.4 million were received (including accrued interest and exit fees).

Despite all of the loans having a set repayment term all but one of the loans have a repayable on demand feature so the Group may call for an early repayment of their principal, interest and applicable fees at any time.

Considering the 'on demand' clause, the Group concluded that the loans are in stage 3 of the IFRS 9 model as should the loans be called on demand the borrowers would technically be in default as repayment would only be possible on demand if the property had already been sold.

The loan without a repayable on demand clause amounts to £3.5 million, has repayment term of 4 July 2022 and remains in stage 1 of the IFRS 9 model.

The Group has calculated the lifetime ECLs of the loans advanced (see note 2(b)(c)): based on this process the Directors have concluded that ECLs on loans advanced are immaterial to the financial statements.

Notes to the financial statements (continued)

For the year ended 31 March 2020

18. Collateral deposit

	31 March 2020 £'000	31 March 2019 £'000
Collateral deposit	1,364	1,302

The collateral deposit of £1.4 million (31 March 2019: £1.3 million) is a cash deposit with Barclays Bank PLC ('Barclays') in Guernsey in relation to the foreign exchange forward contract entered into by the Group at year end: this cash has been placed on deposit to match the maturity of the contract.

19. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Non-current		
Other debtors	-	1,929
Total	**-**	**1,929**
Current		
Trade debtors	189	28
VAT	4	28
Other debtors	2,234	297
Total	**2,427**	**353**

As part of other debtors, an amount of £2.0 million (€2.2 million) (31 March 2019: £1.9 million (€2.2 million)) represent a residual receivable of the investment properties disposed of in the prior year.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. See note 2(a)(a)(iii) 'financial instruments' for more details.

20. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Trade creditors	205	356
Deferred revenue	143	-
Investment Manager's fee payable	561	1,439
Accruals	342	289
Other creditors	40	13
Total	**1,291**	**2,097**

Trade creditors and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the financial statements (continued)

For the year ended 31 March 2020

21. Bank borrowings

	31 March 2020 £'000	31 March 2019 £'000
Current liabilities: interest payable	32	30
Current liabilities: bank borrowings	-	-
Total current liabilities	**32**	**30**
Non-current liabilities: bank borrowings	8,275	8,039
Total liabilities	**8,307**	**8,069**
The borrowings are repayable as follows:		
Interest payable	32	30
On demand or within one year	-	-
In the second to fifth years inclusive	-	-
After five years	8,275	8,039
Total	**8,307**	**8,069**

Movements in the Group's bank borrowings are analysed as follows:

	31 March 2020 £'000	31 March 2019 £'000
As at 1 April	**8,039**	**-**
Borrowings, additions	-	8,377
Deferred finance costs, additions	-	(151)
Amortisation of deferred finance costs	16	4
Foreign exchange movement	220	(191)
As at 31 March	**8,275**	**8,039**

As at 31 March 2020, bank borrowings represent the Nord LB (a German bank) loan for €9.5 million (£8.3 million) (31 March 2019: €9.5 million (£8.2 million)), which was used to partly fund the acquisition of the investment property in Hamburg (Werner-Siemens-Straße), Germany. This loan is composed of two tranches of €4.9 million and €4.6 million, which bear a 1.85% and 2.7% fixed rate respectively and that are due to mature in August 2028.

The borrowings are non-recourse to ART and the facility carries no financial covenant tests.

The fair value of bank borrowings at the balance sheet date is €9.5 million (£8.3 million).

Foreign exchange movement is recognised in other comprehensive income/(expense).

The tables below set out an analysis of net debt and the movements in net debt for the year ended 31 March 2020 and prior year.

	Other assets	Derivatives	Liabilities from financing activities		
	Cash £'000	Foreign exchange forward £'000	Interest payable £'000	Borrowings £'000	Total £'000
Net asset/(debt) as at 1 April 2019	**58,181**	**514**	**(30)**	**(8,039)**	**50,626**
Cash movements	(12,356)	(165)	188	-	(12,333)
Non cash movements					
Foreign exchange adjustments	243	-	(2)	(220)	21
Unrealised loss on foreign exchange forward contract	-	(146)	-	-	(146)
Loan fee amortisation and other costs	-	-	-	(16)	(16)
Interest charge	-	-	(188)	-	(188)
Net asset/(debt) as at 31 March 2020	**46,068**	**203**	**(32)**	**(8,275)**	**37,964**

Notes to the financial statements (continued)

For the year ended 31 March 2020

21. Bank borrowings (continued)

	Other assets	Derivatives	Liabilities from financing activities		
	Cash	Foreign exchange forward	Interest payable	Borrowings	Total
	£'000	£'000	£'000	£'000	£'000
Net asset/(debt) as at 1 April 2018	**6,273**	**100**	**-**	**-**	**6,373**
Cash movements	51,951	17	93	(8,226)	43,835
Non cash movements					
Foreign exchange adjustments	(43)	-	-	191	148
Unrealised gain on foreign exchange forward contract	-	397	-	-	397
Loan fee amortisation and other costs	-	-	(8)	(4)	(12)
Interest charge	-	-	(115)	-	(115)
Net asset/(debt) as at 31 March 2019	**58,181**	**514**	**(30)**	**(8,039)**	**50,626**

22. Share capital

					Number of shares
Authorised					
Ordinary shares of no par value					Unlimited
Issued and fully paid	Ordinary treasury	Ordinary external	Ordinary total	A shares external	Total shares
At 1 April 2018	**6,702,586**	**63,462,102**	**70,164,688**	**5,034,804**	**75,199,492**
Share conversion	-	5,034,804	5,034,804	(5,034,804)	-
Shares cancelled following buyback	-	(1,388,193)	(1,388,193)	-	(1,388,193)
Shares bought back	206,371	(206,371)	-	-	-
At 1 April 2019	**6,908,957**	**66,902,342**	**73,811,299**	**-**	**73,811,299**
Share issue for scrip dividend	-	908,291	908,291	-	908,291
Share issue from treasury (note 2)	(5,030,284)	5,030,284	-	-	-
Shares bought back	62,124	(62,124)	-	-	-
Shares cancelled following buyback	-	(13,065,348)	(13,065,348)	-	(13,065,348)
At 31 March 2020	**1,940,797**	**59,713,445**	**61,654,242**	**-**	**61,654,242**

The Company has one class of ordinary shares. The Company has the right to reissue or cancel the remaining treasury shares at a later date.

In prior years, the Company also had class A shares, which carried the same rights as ordinary shares save that class A shares carried the additional right to participation in the Company's investment in Romulus and the right to convert into ordinary shares on a one for one basis. During the quarter ended 31 December 2018, ART received the final liquidation proceeds from its Romulus, which generated £13,686 for ART A shareholders: this amount was therefore paid to ART A shareholders as a special dividend on 4 January 2019. Consequently, on 24 January 2019, all outstanding A shares were mandatorily converted into ordinary shares.

Under the general authority, approved by Shareholders on 8 January 2019, the Company announced a tender offer on 14 June 2019 for up to 16,666,771 ordinary shares at a price (before expenses) of 175.0 pence per share. In total 13,065,348 ordinary shares were validly tendered under the tender offer for a total cost of £22.9 million. All purchased ordinary shares were cancelled.

During the year, the Company additionally purchased 62,124 shares in the market at the weighted average price per share of 155p (total cost of £0.1 million) and, in September 2019, ART re-issued from treasury 5,030,284 ordinary shares as consideration for Alpha2. The 5,030,284 ordinary shares were issued at an issue price equivalent to ART's estimated adjusted net asset value of 211.4p per share based upon the Company's net asset value as at 30 June 2019 with adjustments made for dividends paid and share buybacks completed, including the Company's tender offer, following this date. The total consideration was therefore £10.6 million and has been accounted for as a share based payment in accordance with IFRS 2.

As at 31 March 2020, the ordinary share capital of the Company was 61,654,242 (including 1,940,797 ordinary shares held in treasury) and the total voting rights in the Company is 59,713,445.

Notes to the financial statements (continued)

For the year ended 31 March 2020

22. Share capital (continued)

Scrip dividend alternative

In the circular published on 18 December 2018, the Company sought shareholders' approval to enable a scrip dividend alternative to be offered to ordinary shareholders whereby they could elect to receive additional ordinary shares in lieu of a cash dividend, at the absolute discretion of the Directors, from time to time. This was approved by shareholders at the extraordinary general meeting on 8 January 2019.

The number of ordinary shares that an ordinary shareholder will receive under the scrip dividend alternative will be calculated using the average of the closing middle market quotations of an ordinary share for five consecutive dealing days after the day on which the ordinary shares are first quoted 'ex' the relevant dividend.

During the year, the Board elected to offer the scrip dividend alternative to shareholders for every quarterly dividend, which resulted in the issue of 908,291 new ordinary shares. These shares are rank pari passu in all respects with the Company's existing issued ordinary shares.

The Board also elected to offer the scrip dividend alternative to shareholders for the dividend for the quarter ended 31 December 2019: elections were received in respect of 29,972,146 shares, which resulted in the issue of 186,628 new ordinary shares. These shares have been issued at a price of 160.6 pence each and were rank pari passu in all respects with the Company's existing issued ordinary shares. These new shares have been admitted to trading on the SFS of the LSE on 9 April 2020.

At the date of signing these financial statements, the ordinary share capital of the Company was 61,840,870 (including 1,940,797 ordinary shares held in treasury) and the total voting rights in the Company is 59,900,073.

23. Reserves

The movements in the reserves for the Group are shown on page 35.

Special reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy-back of shares and payment of dividends.

Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's overseas operations. These amounts may be subsequently reclassified to profit or loss.

Capital reserve

The capital reserve contains increases and decreases in the fair value of the Group's investment property, gains and losses on the disposal of property, gains and losses arising from indirect property investment at fair value together with expenses allocated to capital.

Revenue reserve

Any surplus arising from net profit after tax is taken to this reserve, which may be utilised for the buy-back of shares and payment of dividends.

24. Events after the balance sheet date

Between April and June 2020, further loans totalling £1.0 million have been funded and loan repayments of £4.4 million were received (including accrued interest and exit fees).

In April 2020, scrip dividend alternative elections were received in respect of 29,972,146 shares of the Company, which has resulted in the issue of 186,628 new ordinary shares.

On 9 April 2020, the Company paid a dividend for the quarter ended 31 December 2019 of £297,417 (1.0p per share).

On 14 April 2020, the Group received a 20% non-refundable deposit in relation to the exchange of contracts for the Unity and Armouries asset disposal amounting to £0.9 million plus VAT and £3.6 million plus VAT were received at completion, on 11 June 2020 (note 14).

Notes to the financial statements (continued)

For the year ended 31 March 2020

25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. ARC is the Investment Manager to the Company under the terms of the Investment Manager Agreement and is thus considered a related party of the Company. The current management agreement with the Investment Manager will expire on 21 December 2022.

The Investment Manager is entitled to receive a fee from the Company at an annual rate of 2 per cent of the net assets of the Company, payable quarterly in arrears. During the year a total of £2.3 million (31 March 2019: £2.2 million), net of rebates, was billed by ARC to ART. As at 31 March 2020, a total of £0.6 million (31 March 2019: £0.6 million) was outstanding.

The Investment Manager is also entitled to receive an annual performance fee calculated with reference to total shareholder return ('TSR'), whereby the fee is 20 per cent of any excess over an annualised TSR of 15 per cent subject to a rolling 3 year high water mark. As at 31 March 2020, no performance fee was due to ARC (31 March 2019: £0.8 million).

Prior to the 70% disposal of the H2O property, ARC had a management agreement directly with the H2O property company, Alpha Tiger Spain 1, SLU ('ATS1') under which it earned a fee of 0.9% per annum based upon the gross assets of ATS1. In order to avoid double counting of fees, ARC provided a rebate to the Company of a proportion of its fee equivalent to the value of the Group's net asset value attributable to the H2O investment. Subsequent to the sale of ATS1 to CBRE H2O Rivas Holding NV ('CBRE H2O'), ARC has been appointed as Asset Manager to ATS1 and Investment Manager to CBRE H2O. ARC has agreed to rebate to ART all of the fees charged by ARC directly to CBRE H2O and ATS1 that relate to the Company's 30% share in CBRE H2O.

The Company invests in Alpha2, where ARC is the Investment Manager. ARC rebates fees earned in relation to the Company's investment in Alpha2.

In September 2019, the Company announced that it acquired 66.4% of the shares in Alpha2. The acquisition increased ART's ownership interest in Alpha2 to 100% (note 2). The shares in Alpha2 were purchased from Antler Investment Holdings Limited, a related party to the Company.

The Company has invested in Europip, where ARPIA, a subsidiary of ARC, is the Investment Adviser. ARC rebates fees earned in relation to the Company's investment in Europip.

The Company has invested in Phase 1000, Cambourne Business Park, Cambridge, and ARC was appointed as Asset and Property Manager of the joint venture entity. ARC rebates to ART the relevant proportion of fees earned by ARC, which apply to the Company's investment.

Total rebates for the year were £0.6 million (31 March 2019: £0.7 million).

Details of the Investment Manager's fees for the year are disclosed on the face of the consolidated statement of comprehensive income and the balance payable at 31 March 2020 is provided in note 20.

Alpha Global Property Securities Fund Pte. Ltd, a company registered in Singapore, owned directly by the partners of ARC, held 23,018,851 shares in the Company at 31 March 2020 (31 March 2019: 22,550,000).

ARC did not hold any shares in the Company at 31 March 2020 (31 March 2019: nil).

The following, being partners of ARC, have interests in the following shares of the Company at 31 March 2020:

	31 March 2020 Number of shares held	31 March 2019 Number of shares held
Rockmount Ventures Limited*	2,304,512	2,257,575
Brian Frith	1,148,390	1,125,000
Phillip Rose	908,691	892,220
Brad Bauman	55,613	55,006

* ceased to be a partner of ARC on 5 February 2020

Details of the Directors' fees and share interests in the Company are included in the Directors Report.

Karl Devon-Lowe, a partner of ARC, received fees of £7,200 (31 March 2019: £5,100) in relation to directorial responsibilities on a number of the Company's subsidiary companies.

Melanie Torode is the Operations Director of Ocorian Administration (Guernsey) Limited ('Ocorian'; previously Estera Administration (Guernsey) Limited), the Company's administrator and secretary. During the period the Company paid Ocorian fees of £95,600 (31 March 2019: £96,500) and no amount was outstanding at year end.

Notes to the financial statements (continued)

For the year ended 31 March 2020

26. Financial instruments risk exposure and management

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

Financial assets and liabilities carrying value	31 March 2020	31 March 2019
	£'000	£'000
Financial assets at fair value through profit or loss		
Investments held at fair value	139	390
Foreign exchange forward contract	203	514
Loans advanced	1,263	3,711
Total financial assets at fair value through profit or loss	**1,605**	**4,615**
Financial assets at amortised cost		
Loans advanced	38,621	32,425
Collateral deposit	1,364	1,302
Trade and other receivables	2,427	2,282
Cash and cash equivalents	46,068	58,181
Total loans and receivables	**88,480**	**94,190**
Total financial assets	**90,085**	**98,805**
Financial liabilities at amortised cost		
Trade and other payables	(1,291)	(2,097)
Bank borrowings	(8,307)	(8,069)
Total financial liabilities	**(9,598)**	**(10,166)**

Net changes in realised and unrealised gains or losses on financial instruments at fair value through profit or loss can be summarised as follows:

	31 March 2020	31 March 2019
	£'000	£'000
Unrealised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Unrealised gain on foreign exchange forward contract	203	514
Movement in fair value of investments	(58)	297
Movement in fair value of loans advanced	393	267
Realised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Realised loss on foreign exchange forward contract	(349)	(116)
Dividend received from investments held at fair value	-	1
Distributed investment income	-	1,177
Net gains on financial assets and liabilities held at fair value through profit or loss	**189**	**2,140**

Net interest income can be summarised as follows

	31 March 2020	31 March 2019
	£'000	£'000
Bank interest receivable	118	31
Interest receivable on loans granted to third parties	4,952	2,709
Interest on bank borrowings	(204)	(123)
Net interest income	**4,866**	**2,617**

Notes to the financial statements (continued)

For the year ended 31 March 2020

26. Financial instruments risk exposure and management (continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Project monitoring

Projects are monitored through regular Project Control Meetings held with development partners to discuss progress and monitor risks. The Investment Manager attends these meetings and reports to the Board on a quarterly basis.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

At 31 March 2020, trade and other receivables past due but not impaired amounted to nil (31 March 2019: nil).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group policy is to maintain its cash and cash equivalent balances with a number of financial institutions as a means of diversifying credit risk. The Group monitors the placement of cash balances on an ongoing basis and has policies to limit the amount of credit exposure to any financial institution. The Group's cash is held with established banks with strong credit ratings.

With regards to the investment property business, a property advisor monitors the tenants in order to anticipate and minimise the impact of default by occupational tenants. Where possible, tenants' risk is mitigated through rental guarantees. The Group meets with tenants frequently and monitors their financial performance closely.

The Group owns a portfolio of secured real estate loans and mezzanine loan investments. These loans are typically secured on real estate investment and development assets with attractive risk-adjusted income returns. The Group receives monthly updates from its investment advisors regarding the credit worthiness of the borrowers and values of the real estate investment and development assets, which the loans are secured on, and assesses the recoverability of each loan investment.

The Company announced on 28 May 2010 that it had entered into a Settlement Agreement with Logix Group under which it has sold its interest in its Technova investment and has agreed a floor price mechanism for the sale of the Galaxia project. The Settlement Agreement lapsed on 28 May 2011 returning the parties to the pre-existing agreement. The terms of the pre-existing agreement provide for a minimum return of INR 450.0 million and an additional preferred return and profit. As detailed in note 15, in January 2015, the ICC Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group. The award granted by the ICC to the Group amounted to £9.2 million based on exchange rates at the time. Additionally, a further 15% p.a. interest on all sums was awarded to the Group from 20 January 2015 until the actual date of payment by Logix of the award. Logix appealed to the Supreme Court of India, which admitted the appeal and ordered Logix to deposit £2.2 million (INR 200 million) with the court: subsequently, the Supreme Court of India permitted the Group to unconditionally withdraw INR 100 million (£1.1 million) in May 2018 and INR 100 million plus INR 15 million of interest accrued (£1.2 million, including interest accrued) in December 2019.

Logix continued to appeal at the Supreme Court of India until February 2020 when the Supreme Court of India upheld the award and dismissed the Special Leave Petition filed by the Logix Group and its Promoters challenging the said award: this represents the end of the legal process since the award cannot be challenged anymore in any forum in India. As a result of this process, the Supreme Court ordered Logix to pay to the Company a final award (the 'Award') amount of INR 1,075.0 million (£11.5 million at the year end exchange rate).

The Directors, taking into consideration legal advice received throughout the legal process, consider it appropriate to carry this joint venture in the Company's accounts at INR 235.0 million, which is the amount invested less the INR 215 million (£2.3 million) deposit recovery described above. The amount recognised in the accounts excludes the additional compensation awarded by the courts due to uncertainty over timing of the Award.

With regards to its other investments, the Group receives regular updates from the relevant Investment Manager as to the performance of the underlying investments and assesses credit risk as a result.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Group has procedures with the object of minimising these risks such as maintaining sufficient cash and other highly liquid current assets. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's desire to maintain a high level of liquidity in order to enable timely completion of investment transactions.

Notes to the financial statements (continued)

For the year ended 31 March 2020

26. Financial instruments risk exposure and management (continued)

The following table illustrates the contractual maturity analysis of the Group's financial liabilities.

31 March 2020	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	Total carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	1,291	-	-	-	**1,291**	**1,291**
Interest payable on bank borrowings	190	190	570	635	**1,585**	**32**
Bank borrowings	-	-	-	8,275	**8,275**	**8,275**
Total	**1,481**	**190**	**570**	**8,910**	**11,151**	**9,598**

31 March 2019	Within 1 year	1-2 years	2-5 years	Over 5 years	Total	Total carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	2,097	-	-	-	**2,097**	**2,097**
Interest payable on bank borrowings	185	185	555	804	**1,729**	**30**
Bank borrowings	-	-	-	8,039	**8,039**	**8,039**
Total	**2,282**	**185**	**555**	**8,843**	**11,865**	**10,166**

Market risk

(a) Foreign exchange risk

The Group operates in India, Germany and Spain and is exposed to foreign exchange risk arising from currency exposures with respect to Indian Rupees and Euros. Foreign exchange risk arises from recognised monetary assets and liabilities.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

During the year, the Group entered into a one year contract to hedge €15.0 million of its Euro exposure in the balance sheet; this contract will terminate on 5 October 2020.

The Board monitors the Group's exposure to foreign currencies on a quarterly basis as part of its Risk Management review.

A strengthening of the Rupee by 10% against Sterling (representing management's assessment of a reasonably possible change) would increase the net assets by £279,000 (2019: £431,000). A weakening of the Rupee by 10% would decrease net assets by £228,000 (2019: £353,000). A strengthening of the Euro by 5 cents would increase the net assets by £1,235,000 (2019: £1,142,000). A weakening of the Euro by 5 cents would decrease net assets by £1,130,000 (2019: £1,048,000).

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk arose primarily from bank borrowings. The Group is not directly exposed to interest rate risk related to bank borrowings: the bank debt of ART Germany 1 Ltd, owner of the Hamburg investment property in Germany, bears a fixed coupon until maturity in 2028 (note 21).

The Group holds significant cash balances and loan assets which accrue interest based on variable interest rates.

The Group's cash flow is periodically monitored by the Board.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in interest rate and changes in market value.

For the Group, a decrease of 25 basis points in interest rates would result in a £0.1 million decrease in post-tax profits (2019: £0.2 million decrease). An increase of 25 basis points in interest rates would result in a £0.1 million increase in post-tax profits (2019: £0.2 million increase).

(c) Price risk

The Group has invested in participating redeemable preference shares in Europip and HLP; the value of these shares is assessed regularly and is subject to fluctuation: Europip provide pricing quarterly and HLP half yearly.

If the price of the aggregated investments in ordinary and participating redeemable preference shares had increased by 5%, with all other variables held constant, this would have increased the net assets value of the Group by £7,000 (31 March 2019: £20,000). Conversely, if the price of the aggregated investments in ordinary and participating redeemable preference shares had decreased by 5% this would have decreased the net assets value of the Group by £7,000 (31 March 2019: £20,000).

Notes to the financial statements (continued)

For the year ended 31 March 2020

26. Financial instruments risk exposure and management (continued)

(d) Fair values

The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of the foreign exchange forward contract is determined by reference to the year end forward market rate and based on observable inputs; this investment is therefore deemed to be a level 2 financial asset (see note 27).
- The fair value of the HLP investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and principally driven by the fair value of HLP's underlying property investments. This net asset value is therefore mainly based on unobservable inputs and is deemed to be level 3 financial assets (see note 27).
- The fair value of the Europip investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and principally driven by the fair value of Europip's underlying property investments. This net asset value is therefore mainly based on unobservable inputs and is deemed to be level 3 financial assets (see note 27). Europip's accounts are audited annually. As at 31 March 2020, Europip holds no investment property and is preparing to distribute its final liquidation proceeds to shareholders.
- The loans at fair value have been valued based on the discounted cash flow of the respective instruments. Due to the short time since inception and to maturity there has not been a material movement in discount rates or cashflows.
- The fair value of bank borrowings has been calculated based on the discounted cash flows of the Nord LB bank loan up to maturity date in July 2028; the fair value of bank borrowings at the balance sheet date is €9.5 million (£8.3 million).

As a result the carrying values less impairment provision of loans and receivables and financial liabilities measured at amortised cost are approximate to their fair values.

Capital risk management

The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board regularly reviews the adequacy of the Group's level of borrowings by monitoring its compliance with the relevant bank covenants.

27. Fair value measurement

IFRS 13 requires disclosure of the fair value measurement of the Group's assets and liabilities, the related valuation techniques, the valuations' recurrence and the inputs used to assess and develop those measurements.

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Assets and liabilities are classified in their entirety into one of the three levels.

Investment property is valued on a recurring basis: half yearly.

The Group's valuers derive the fair value of the investment property by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom.

The valuation approach adopted by valuers differs between investment property available to rent (H2O, Cambourne and Wolverhampton) and investment property under development (Unity and Armouries). For the year ended 31 March 2020, the fair value of the Cambourne and Unity and Armouries properties reflect Directors' valuations.

The valuation approach for investment property available to rent is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to vacant units. The consideration basis for this calculation excludes the effects of any taxes on the net income. The discount factors used to calculate fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets. A decrease in the net rental income or an increase in the discount rate will decrease the fair value of the investment property.

The valuation approach for investment property under development is based on the residual development appraisal, which assesses the amount a developer can afford to spend for an undeveloped site and project, considering the potential income from sale of the site and total cost for its full construction. The potential sale price is based on the income capitalisation approach whereby the estimated rental value for

Notes to the financial statements (continued)

For the year ended 31 March 2020

27. Fair value measurement (continued)

the investment property has been capitalised in perpetuity. The valuation also considers comparable evidence for land transactions with similar parameters and market locations.

The investments and loans advanced held at fair value and derivative contracts are valued on a recurring basis as indicated in note 27.

The following table shows an analysis of the fair values of assets and liabilities recognised in the balance sheet by level of the fair value hierarchy described above:

31 March 2020 Assets measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Non-current				
Investment property (note 13, 14)	-	-	15,389	**15,389**
Investments held at fair value (note 16)	-	-	139	**139**
Loans advanced	-	-	1,263	**1,263**
Current				
Foreign exchange forward contract (note 26)	-	203	-	**203**

31 March 2019 Assets measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Non-current				
Investment property (note 13, 14)	-	-	18,264	**18,264**
Investments held at fair value (note 16)	-	-	390	**390**
Loans advanced	-	-	3,711	**3,711**
Current				
Foreign exchange forward contract (note 26)	-	514	-	**514**

The carrying amounts of the Group's financial liabilities and assets not carried at fair value through profit or loss are a reasonable approximation of their fair values due to either their short term nature or short period of time since they were acquired.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Movements in level 3 of the fair value measurements, during the year ended 31 March 2020 and prior year, can be summarised as follows:

	Loans advanced £'000	Investment property and asset held for sale £'000	Investments held at fair value £'000	Total £'000
At 1 April 2019	**3,711**	**18,264**	**390**	**22,365**
Additions	386	8,835	-	9,221
Subsequent capital expenditure after acquisition	-	-	-	-
Disposals	-	(5,225)	-	(5,225)
Redemptions	(3,227)	-	(193)	(3,420)
Fair value adjustment	393	1,194	(58)	1,529
Effect of foreign exchange	-	386	-	386
At 31 March 2020	**1,263**	**23,454**	**139**	**24,856**

Notes to the financial statements (continued)

For the year ended 31 March 2020

27. Fair value measurement (continued)

	Loans advanced	Investment property and asset held for sale	Investments held at fair value	Total
	£'000	£'000	£'000	£'000
At 1 April 2018	**-**	**33,021**	**6,091**	**39,112**
Additions	3,444	14,795	-	18,239
Subsequent capital expenditure after acquisition	-	5,203	-	5,203
Disposals	-	(33,441)	(5,336)	(38,777)
Redemptions	-	-	(343)	(343)
Fair value adjustment	267	(1,107)	(22)	(862)
Effect of foreign exchange	-	(207)	-	(207)
At 31 March 2019	**3,711**	**18,264**	**390**	**22,365**

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 March 2020 and prior year.

The fair value of investment property is based on unobservable inputs and it is therefore disclosed as level 3.

The valuations reports received from the independent valuers included a 'Material Valuation Uncertainty' paragraph in relation to the market risks linked to the Covid-19 pandemic (see note 2(b)(a)(i) for more details).

In December 2019, the Group exchanged contracts for the sale of the Unity and Armouries asset in Birmingham (UK) at £4.5 million and the sale completed on 11 June 2020: the Directors therefore consider £4.5 million to represent fair value of the Unity and Armouries property at the balance sheet date. On 14 April 2020, the Group received a 20% non-refundable deposit in relation to this disposal amounting to £0.9 million plus VAT and £3.6 million plus VAT were received at completion, on 11 June 2020.

The following methods, assumptions and inputs were used to estimate fair values of investment property:

31 March 2020 - Unity and Armouries, Birmingham (UK)

Class of investment property	Carrying amount / fair value	Area	Valuation technique	Significant unobservable inputs	Range/Value
	'000	(square meters)			
Europe	£4,465	90,000 net developable square feet	Directors' valuation: sale at £4.5 million completed on 11 June 2020.	Not applicable	Not applicable
				Not applicable	Not applicable
				Not applicable	Not applicable
				Not applicable	Not applicable

31 March 2019 - Unity and Armouries, Birmingham (UK)

Class of investment property	Carrying amount / fair value	Area	Valuation technique	Significant unobservable inputs	Range/Value
	'000	(square meters)			
Europe	£4,500	90,000 net developable square feet	Income capitalisation and residual development appraisal	Investment yield	4.3%
				Market rent	£925/£1,200 per month
				Development costs	£209 per square foot
				Developer's profits	18%/19%

Notes to the financial statements (continued)

For the year ended 31 March 2020

27. Fair value measurement (continued)

31 March 2020 - Hamburg (Werner-Siemens-Straße), Germany

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
Europe	€15,980 (£13,764)	11.8	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€60
				Discount rate	5.00%

Sensitivity analysis for the 31 March 2020 valuation of the Hamburg investment property:

Significant unobservable inputs	Change applied	Fair value change €'000	Change applied	Fair value change €'000
ERV per sqm p.a.	-10%	€15,100	+10%	€18,400
Discount rate	-1%	€18,100	+1%	€15,500

31 March 2019 - Hamburg (Werner-Siemens-Straße), Germany

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
Europe	€15,980 (£13,764)	11.8	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€60
				Discount rate	5.00%

31 March 2020 – Wolverhampton, UK

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
UK	£3,600	16,355	Comparable transactions analysis	Comparable evidence	Not applicable

31 March 2020 – Liverpool, UK

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
UK	£610	475	Directors' valuation: acquisition recently completed (on 22 November 2019) for £0.6 million.	Not applicable	Not applicable

Directors and Company information

Directors

David Jeffreys (Chairman)
Jeff Chowdhry
Melanie Torode
Phillip Rose
William Simpson

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Investment Manager

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Administrator and secretary

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Shareholder information

Further information on the Company, compliant with the SFS regulations, can be found at the Company's website: www.alpharealtrustlimited.com

Change of address

Communications with shareholders are mailed to the addresses held on the share register. In the event of a change of address or other amendment, please notify the Company's Registrar under the signature of the registered holder.

Share price

The Company's Ordinary Shares are listed on the SFS of the LSE.

Investment Manager

The Company is advised by Alpha Real Capital LLP which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Financial calendar

Financial reporting	Reporting/ Meeting dates	Dividend period	Ex-dividend date	Record date	Last date for election to scrip dividend (if applicable)	Share certificates posted (if applicable)	Payment date
Annual report published and dividend announcement	26 Jun 2020	Quarter ended 31 Mar 2020	25 Jun 2020	26 Jun 2020	3 Jul 2020	16 Jul 2020	17 Jul 2020
Annual General Meeting	7 Aug 2020						
Trading update statement (Quarter 1)	18 Sep 2020	Quarter ending 30 Jun 2020	1 Oct 2020	2 Oct 2020	9 Oct 2020	22 Oct 2020	23 Oct 2020
Half year report	27 Nov 2020	Quarter ending 30 Sep 2020	10 Dec 2020	11 Dec 2020	18 Dec 2020	7 Jan 2021	8 Jan 2021

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