Alpha Real Trust

Annual report 2022

For the year ended 31 March 2022

Alpha Real Trust 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.

Alpha Real Trust

Contents

1 Highlights
2 Company's summary and objective
4 Chairman's statement
8 Investment review
20 Directors
21 Directors' and corporate governance report
26 Directors' statement pursuant to the Disclosure and Transparency Rules
27 Independent auditors' report
32 Consolidated statement of comprehensive income
33 Consolidated balance sheet
34 Consolidated cash flow statement
35 Consolidated statement of changes in equity
36 Notes to the financial statements
63 Directors and Company information
64 Shareholder information
64 Financial calendar

www.alpharealtrustlimited.com

- NAV per ordinary share 216.0p as at 31 March 2022 (31 March 2021: 207.7p).
- Basic earnings for the year ended 31 March 2022 of 13.3p per ordinary share (31 March 2021: earnings of 0.0p per ordinary share).
- Adjusted earnings for the year ended 31 March 2022 of 4.0p per ordinary share (31 March 2021: 3.4p per ordinary share)*.
- Declaration of a quarterly dividend of 1.0p per ordinary share expected to be paid on 20 July 2022.

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

Highlights

- **Robust financial position:** ART has been adopting a cautious approach to new investment and conserved cash as a result of the uncertainty that characterised the past financial year; this has placed the Company in a robust financial footing making it well positioned to take advantage of new investment opportunities.
- **Investment targets:** the Company is currently focussed on continuing to grow its loan portfolio whilst retaining scope to deliver attractive risk adjusted returns including potential capital gains through its wider real estate investment strategy.
- **Diversified portfolio of secured senior and secured mezzanine loan investments:** as at 31 March 2022, the size of ART's drawn secured loan portfolio was £36.4 million, representing 27.3% of the investment portfolio.
- The senior portfolio has an average Loan to Value ('LTV')** of 59.1% based on loan commitments (with mezzanine loans having an LTV range of between 48.8% and 78.6% whilst the highest approved senior loan LTV is 72.9%).
- **Loan commitments:** including existing loans at the balance sheet date and loans committed post period end, ART's current total committed but undrawn loan commitments amount to £17.3 million.
- **Sale of Cambourne Business Park:** the sale of the business park, in which ART held a 10% interest in the owning joint venture, completed in December 2021 at a price in excess of the Company's latest book value; the investment returned an IRR of in excess of 14.4% p.a. during ART's ownership.
- **Galaxia, India:** conclusion of litigation in relation to past investment in India with the Supreme court permitting the release of funds to ART and such funds being fully received post year end.

** See page 4 for more details

Company's summary and objective


Strategy

ART 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 2022, excluding sundry assets/liabilities, was as follows:

	31 March 2022	31 March 2021
High return debt:	27.3%	26.1%
High return equity in property investments:	18.8%	19.5%
Other investments:	13.1%	0.5%
Cash:	40.8%	53.9%

The Company currently plans to invest the majority of its cash into secured senior or secured mezzanine debt and grow its diversified loan portfolio whilst retaining scope for further investments to deliver attractive risk adjusted returns including potential capital gains through its wider investment strategy.

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.

The Company and the Investment Manager have extended the current management agreement for a further term of five years from the expiry of the current term on 21 December 2022. The Company believes this will provide the Company's shareholders with greater certainty going forward on the continued access to the management resources, and broader group support, of the Investment Manager which will assist the Company to continue to achieve its investment objectives. The annual management fee and performance fee arrangements remain unchanged.

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

216.0p

NAV per ordinary share 216.0p

4.0p

Adjusted earnings per ordinary share of 4.0p

4.0p

Dividend per ordinary share paid during the year

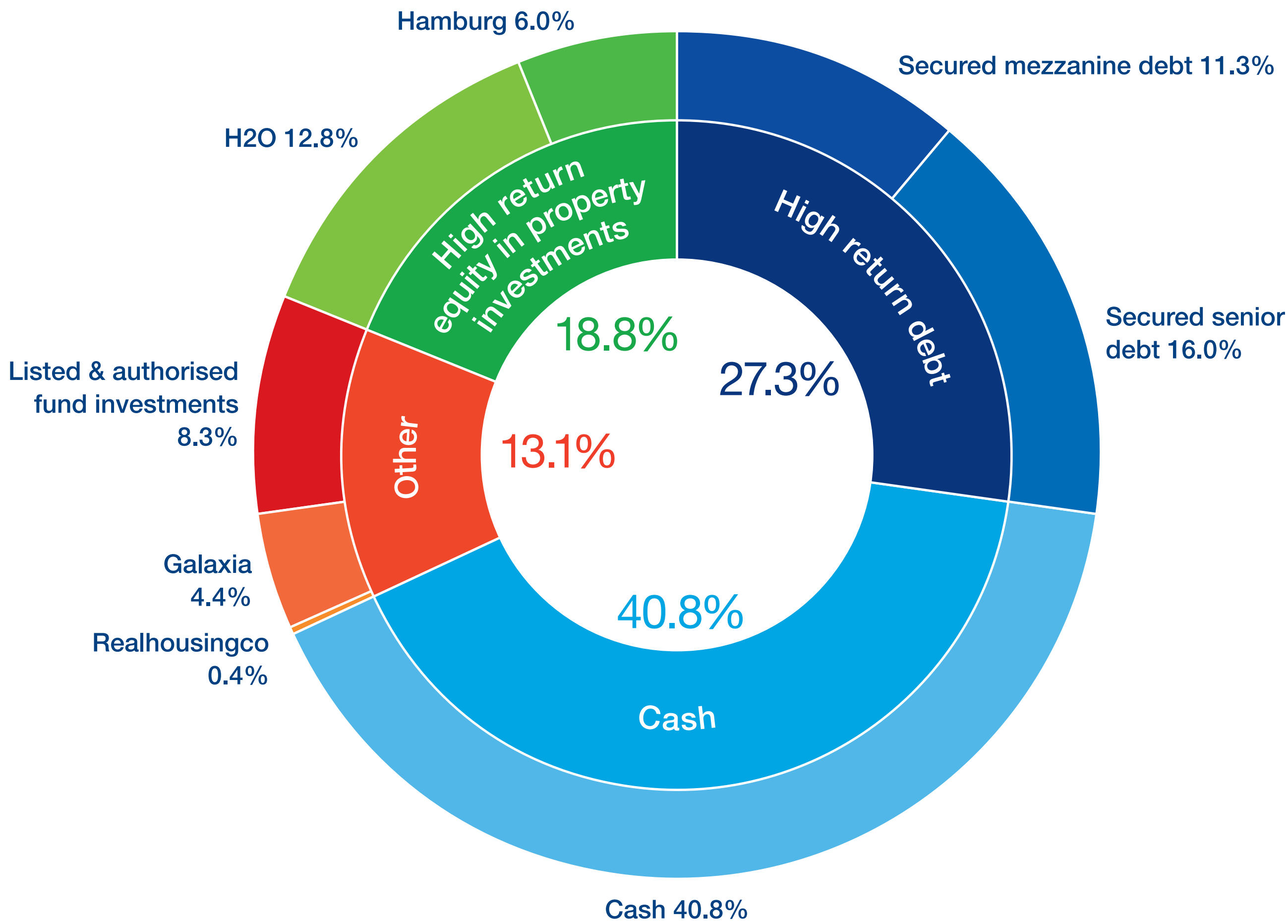
Company's summary and objective (continued)

Financial highlights

	12 months ended 31 March 2022	6 months ended 30 September 2021	12 months ended 31 March 2021
Net asset value (£'000)	133,256	127,585	126,076
Net asset value per ordinary share	216.0p	208.5p	207.7p
Earnings per ordinary share (basic and diluted) (adjusted)*	4.0p	3.0p	3.4p
Earnings per ordinary share (basic and diluted)	13.3p	2.5p	0.0p
Dividend per ordinary share (paid during the period)	4.0p	2.0p	4.0p

* 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.

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) as at 31 March 2022 (see page 8 for further details).



Chairman's statement

William Simpson
Chairman

I am pleased to present the Company's annual report and accounts for the year ended 31 March 2022.

It has been an active year for ART that has involved both new investment, principally focussed on the growth of the Company's portfolio of senior and mezzanine loan investments and capital recycling via the sale of a UK business park, which was completed at above book value. The recovery of the full award from a longstanding litigation claim in India marks the successful conclusion of legal proceedings.

ART's investment portfolio benefits from diversification across geographies, sectors and asset types. As inflationary pressures increasingly dominate the economic backdrop in which the Company operates, ART remains on a robust financial footing and is well placed to capitalise on new investment opportunities.

ART remains committed to growing its diversified investment portfolio. In recent years the Company focused on reducing exposure to direct development risk and recycling capital into cashflow driven investments. The Company is currently focussed on continuing to grow and diversify its loan portfolio and extending its wider investment strategy to target investments offering inflation protection via index linked income adjustments and investments that have potential for capital gains.

ART continues to adhere to its disciplined strategy and investment underwriting principles which seek to manage risk through a combination of operational controls, diversification and an analysis of the underlying asset security.

Diversified secured lending investment

The Company has a diversified portfolio of secured senior and mezzanine loan investments. The loans are typically secured on predominately residential real estate investment and development assets with attractive risk adjusted income returns. As at 31 March 2022, ART had committed £57.6 million across twenty loans, of which £39.0 million (excluding a £2.6 million provision for Expected Credit Loss discussed below) was drawn.

The Company's debt portfolio comprises predominately floating rate loans. Borrowing rates are typically set at a margin over Bank of England Base Rates and benefit from rising interest rates as outstanding loans deliver increasing returns as loan rates track increases in the Bank Base Rate.

During the year, fourteen loans totalling £18.6 million (including accrued interest and exit fees) were fully repaid and a further £4.5 million (including accrued interest) was received as part repayments. Post year end, two loans of £12.3 million were drawn and additional drawdowns of £1.8 million were made on existing loans, one loan was fully repaid for £3.3 million and part payments for other loans were received amounting to £3.4 million (including accrued interest).

As at 31 March 2022, 58.8% of the Company's loan investments were senior loans and 41.2% were mezzanine loans. The portfolio has an average LTV of 60.4% based on loan commitments (with mezzanine loans having an LTV range of between 48.8% and 78.6% whilst the highest approved senior loan LTV is 72.9%). 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 largest individual loan in the portfolio as at 31 March 2022 is a senior loan of £3.6 million which represents 6.3% of committed loan capital and 2.7% of the Company's NAV. Two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise capital recovery. The Company has considered the security on these loans (which are a combination of a first charge and a second charge over the respective assets and personal guarantees) and have calculated an Expected Credit Loss ('ECL') on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

Aside from the two cases of receivership, illustrated above, the Company's loan portfolio has proved to be resilient despite the recent extended period of heightened uncertainty and risk. In terms of debt servicing, allowing for some temporary agreed extensions, interest and debt repayments have been received in accordance with the loan agreements. Where it is considered appropriate, on a case-by-case basis, underlying loan terms may be extended or varied with a view to maximising ART's risk adjusted returns and collateral security position. The Company's loan portfolio and new loan targets continue to be closely reviewed to consider the potential impact on construction timelines, building cost inflation and sales periods.

Chairman's statement (continued)

The underlying assets in the loan portfolio as at 31 March 2022 had geographic diversification with a London and Southeast focus. The South of England (including London) accounted for 56%, of which London accounted for 41%, of the committed capital within the loan investment portfolio.

H2O, Madrid

H2O, Madrid

ART has a 30% stake in a joint venture with CBRE Investment Management in the H2O shopping centre in Madrid.

H2O occupancy, by area, as at 31 March 2022 was 90.7%. The centre trading levels remain below the pre-covid highs, however a recovery is evident. In the calendar year to 31 December 2021, visitor numbers were approximately 20% below those of 2019 (pre-Covid), however visitor numbers for the period January to March 2022 were 21% above the same period in 2021.

The residual impact of Covid-19 on tenant activities continues to affect the earnings of H2O compared to pre-Covid levels. However, following almost two years of intermittent restrictions impacting trading, tenants' sales are showing signs of stabilisation and recovery, although this is not without risk.

Sale of Cambourne Business Park

As previously announced, the sale of Cambourne Business Park, Cambridge, completed in December 2021. ART received net proceeds of £2.1 million in relation to the sale of its 10% equity interest in the owning joint venture. The sale realised a return above the Company's book value for the investment.

Alpha Real Capital, the Company's Investment Manager has actively managed the asset since acquisition in 2011 including achieving lease restructuring, new lettings and refurbishment of buildings in the business park. The investment has achieved an equity IRR of in excess of 14.4% p.a. for ART. Proceeds from the sale are to be deployed in line with the Company's investment strategy.

Other investments

Galaxia, India

During February 2022, the Supreme Court of India issued an order concluding the litigation regarding the Company's Galaxia investment, a 50:50 joint venture with Logix Group ('Logix') in relation to an 11.2 acre development site located in NOIDA, the National Capital Region, India.

As part of a prior court ruling, Logix were permitted to sell the Galaxia site to raise capital for the award. The sale completed and the funds lodged by the purchaser with the Supreme Court have been repatriated (post year end) to ART's investment subsidiary in return for ART's subsidiary and Logix relinquishing their title interests.

Reflecting the receipt of funds in April 2022 and allowing for provisioned residual costs associated with the investment, the Company has increased the carrying value of the joint venture in arbitration in its accounts as at 31 March 2022 to £5.9 million (INR 585 million) (31 March 2021: nil value).

Investment in listed and authorised funds

During the year, the Company invested a total of £11.0 million (value as at 31 March 2022: £11.0 million) across four investments that offer potential to generate attractive risk adjusted returns. The returns offer a potentially accretive return to holding cash while the Company deploys capital into lending opportunities in line with its strategy of increasing its senior and mezzanine loan portfolio. These funds invest in ungeared long-dated leased real estate, debt and infrastructure.

Results and dividends

Results

Basic earnings for the year ended 31 March 2022 are £8.2 million (13.3 pence per ordinary share, see note 9 of the financial statements).

Adjusted earnings, which the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities, for the year ended 31 March 2022 are £2.5 million (4.0 pence per ordinary share, see note 9 of the financial statements). This compares with adjusted earnings per ordinary share of 3.4 pence in the same period last year. While underlying earnings increased significantly over the year following better performance at the H2O shopping centre joint venture and revenue from new listed and authorised funds' investments, these increases were mitigated to some extent by the impact of increased ECL provisions against the loan portfolio.

The net asset value per ordinary share at 31 March 2022 is 216.0 pence per share (31 March 2021: 207.7 pence per ordinary share) (see note 10 of the financial statements). The increase over the year is primarily due to the positive conclusion of the Galaxia investment litigation; while there were fair value uplifts on H2O and Hamburg investments these were mitigated by increased ECL provisions against the loan portfolio.

Chairman's statement (continued)


Secured lending: Clevedon, Bristol

Dividends

The Board announces a dividend of 1.0 pence per ordinary share which is expected to be paid on 20 July 2022 (ex-dividend date 23 June 2022 and record date 24 June 2022).

The dividends paid and declared in respect of the year ended 31 March 2022 totalled 4.0 pence per ordinary share representing an annual dividend yield of 2.4% p.a. by reference to the average closing share price over the year ended 31 March 2022.

During the period, dividends of £451,600 were paid in cash and £1,992,050 settled by scrip issue of shares.

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 2022. 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 5 July 2022 to benefit from the scrip dividend alternative for the next dividend.

Financing

As at 31 March 2022 the Group has one direct bank loan of €9.5 million (£8.0 million), with no financial covenant tests, to an SPV used to finance the acquisition of the Hamburg property. The loan is secured over the Hamburg property and has no recourse to the other assets of the Group.

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

Share buybacks

Under the general authority, approved by Shareholders on 6 August 2021, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares.

During the year, the Company purchased 207,645 shares in the market at the average price of £1.64 per share: these shares are held in treasury.

Post year end, the Company purchased 46,500 shares in the market at the average price of £1.51 per share: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 64,283,530 (including 2,298,565 ordinary shares held in treasury) and the total voting rights in the Company are 61,984,965.

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:€1.185 or £1:INR99.678, as appropriate.

Brexit

On 30 December 2020, parliament accepted a post-Brexit trade deal agreed between the UK and the EU. The transition period during which the UK has been able to continue to access the Single Market and Customs Union ended at 11pm on 31 December 2020.

There has been no significant disruption to the ART business caused by the UK's exit from the EU and the completion of the free trade agreement. 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)

Russian invasion of Ukraine, Covid-19 pandemic and going concern

The Company has assessed potential impacts on the ART's portfolio arising from the Russian invasion of Ukraine. ART has no investments in Ukraine or Russia, nor exposure to any companies that have investments in, or links to, Ukraine or Russia. ART has no arrangements with any person currently on (or potentially on) any sanctions list, or links to Ukraine or Russia. The immediate economic impact of the invasion has been a sharp increase in the price of oil and other energy based commodities. ART has no direct exposure to these commodities. None of the borrowers or other counterparties in ART's loan book have links to Ukraine or Russia. It is too early to measure any impact or increased risk to the underlying values supporting ART's loan portfolio, but we do not expect any material change to these values on account of the conflict. The Board will continue to monitor the situation regularly, and will consider the wider impact on the economy (such as potential further increases in inflation and interest rates) and if there would be any potential material impact on ART's portfolio.

The Company has not been isolated from the ubiquitous impact of the Covid-19 pandemic on global economies in the past year. The Company's long term strategy remains resilient. The Company adopted a prudent short term strategy to move to cash conservation and a cautious approach to commitments to new investments during the financial year. Alert to the impact of potentially reducing income returns, this approach supported a robust balance sheet position during these uncertain times. Investment in new lending and growing the Company's diversified loan portfolio has recommenced and remains a key focus. As noted above, the Company held approximately 40.8% of its assets (excluding sundry net assets) in cash as at 31 March 2022 with limited 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, with the support of revenue forecasts for the next twelve months 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.

Secured lending: Golders Green, London

Board changes

During the year, the Company announced the retirement of David Jeffreys effective from 30 September 2021 and appointment of myself as Chairman of the Board of Directors and Peter Griffin as Non-Executive Director also from 30 September 2021.

The Board and I wish to thank David Jeffreys for his service to the Company since its inception in 2006.

Strategy and outlook

ART's investment portfolio benefits from diversification across geographies, sectors and asset types. As inflationary pressures increasingly dominate the economic backdrop in which the Company operates, ART remains on a robust financial footing and is well placed to capitalise on new investment opportunities.

ART remains committed to growing its diversified investment portfolio. In recent years the Company focused on reducing exposure to direct development risk and recycling capital into cashflow driven investments. The Company is currently focussed on continuing to grow and diversify its loan portfolio and also on its wider investment strategy which targets investments offering inflation protection via index linked income adjustments and investments that have potential for capital gains.

William Simpson
Chairman
9 June 2022

Investment review

Portfolio overview 31 March 2022

Investment	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]	Note*
High return debt (27.3%)							
Secured senior finance							
Senior secured loans (excluding committed but undrawn facilities of £18.6m)	£21.4m [2]	7.7% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Senior secured debt (during the period the average senior facilities commitments were £18.0m)	16.0%	16
Secured mezzanine finance							
Second charge mezzanine loans	£15.0m [2]	17.5% [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 £15.0m)	11.3%	16
High return equity in property investments (18.8%)							
H2O shopping centre							
Indirect property	£17.1m (€20.2m)	5.4% [4]	Spain	Dominant Madrid shopping centre and separate development site	30% shareholding; moderately geared bank finance facility	12.8%	12
Long leased industrial facility, Hamburg							
Direct property	£7.8m [5] (€9.2m)	6.3% [4]	Germany	Long leased industrial complex in major European industrial and logistics hub	Long term moderately geared bank finance facility	6.0%	13
Other investments (13.1%)							
Listed and authorised fund investments	£11.0m	5.9% [4]	UK & Channel Islands	Commercial real estate, infrastructure and debt funds	Short to medium term investment in listed and authorised funds	8.3%	15
Affordable housing Residential Investment	£0.6m	n/a	UK	High-yield residential UK portfolio	100% shareholding; no external gearing	0.4%	13
Galaxia (joint venture in arbitration)	£5.9m (INR585m)	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process to recover investment concluded	4.4%	14
Cash and short-term investments (40.8%)							
Cash and cash on escrow [6]	£54.3m	0.1% [7]	UK	'On call' and current accounts		40.8%	

* See notes to the financial statements for more details
1 Percentage share shown based on NAV excluding the company's sundry assets/liabilities
2 Including accrued interest/coupon at 31 March 2022
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 2022
5 Property value including sundry assets/liabilities and cash, net of associated debt
6 Group cash of £55.0m excluding cash held with the Hamburg holding company of £0.7m
7 Weighted average annual interest earned

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

Secured lending: St. Lawrence, Jersey

St. Lawrence, Jersey
Senior development loan

Total commitment	£11,731,000
Loan type	Senior development loan
Loan term	24 months
LTV	63.00%
Underlying security	Development of eleven new build apartments

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	£21.4m *	7.7%**	Diversified loan portfolio focussed on real estate investments and developments	Secured debt
Secured mezzanine finance	Second charge secured loans	£15.0m *	17.5%**	Diversified loan portfolio focussed on real estate investments and developments	Second charge secured debt and secured 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

Diversified secured lending investment

ART's 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 coupons.

As at 31 March 2022, ART had invested a total amount of £36.4 million across twenty loans. Over the past twelve months the loan portfolio has increased by 11.1%.

During the year, fourteen loans totalling £18.6 million (including accrued interest and exit fees) were fully repaid and a further £4.5 million (including accrued interest) was received as part repayments. Post year end, two loans of £12.3 million were drawn and additional drawdowns of £1.8 million were made on existing loans, one loan was fully repaid for £3.3 million and part payments for other loans were received amounting to £3.4 million (including accrued interest).

Each loan will typically have a term of up to two years (one loan has a term of four years), a maximum 75% loan to gross development value ratio and be targeted to generate attractive risk-adjusted income returns. As at 31 March 2022, the portfolio had an average LTV of 60.4% (with average approved LTV between 48.8% and 78.6% for mezzanine facilities while the highest approved LTV for senior loans is 72.9%).

Two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise their capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have calculated an Expected Credit Loss ('ECL') on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

As at 31 March 2022, ART had invested a total amount of £36.4 million across twenty loans. Over the past twelve months the loan portfolio has increased by 11.1%.




Temple Fortune, London
Senior development loan

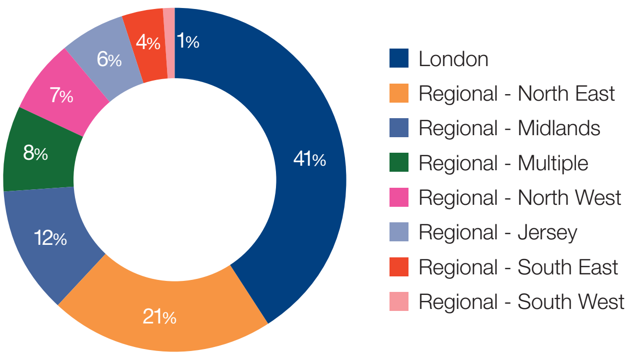
Total commitment	£8,600,000
Loan type	Senior development loan
Loan term	19 months
LTV	63.00%
Underlying security	Development of eight new build houses

Investment review (continued)

Current loan investment examples:

Location	Total commitment	Loan type	Loan term	Current LTV	Underlying security
St. Lawrence, Jersey	£11,731,000	Senior development loan	24 mths	63.00%	Development of eleven new build apartments
Temple Fortune, London	£8,600,000	Senior development loan	19 mths	63.00%	Development of eight new build houses
Fleet, Hampshire	£1,704,000	Senior development loan	15 mths	64.18%	Development of nine new build apartments

Loan portfolio by geography



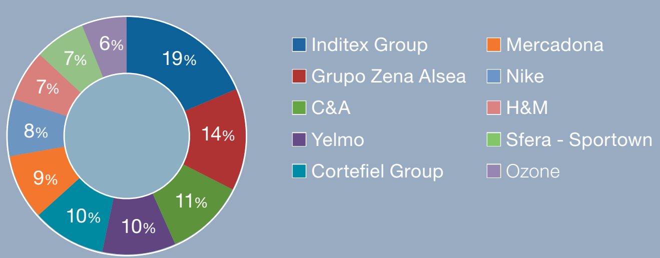
Loan portfolio by asset class (% of commitment)

As at 31 March 2022, the portfolio had an average LTV of 60.4% (with average approved LTV between 48.8% and 78.6% for mezzanine facilities while the highest approved LTV for senior loans is 72.9%).

H2O
Madrid - Spain

Sector	Retail
Asset	Shopping centre
Tenants include	Nike, Zara, Mango, Cortefiel, H&M, C&A, JD Sports 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 2022 is 7.6 years to expiry and 2.3 years to next break.

Top ten tenants (31 March 2022)



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	£17.1m (€20.2m)	5.4%*	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 2022

ART has a 30% stake in joint venture with CBRE Investment Management in the H2O shopping centre in Madrid. H2O 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, JD Sports, Cortefiel, H&M and C&A.

It continues to be a challenging period for shopping centre assets. Whilst legislative restrictions on retailer trading hours and store capacities and indoor mask requirements have largely been relaxed to allow for normalised trading operations, the lingering social and economic impacts of Covid-19 continue to impact performance. This has resulted in supressed visitor numbers and tenant sales performance being recorded for most shopping centre assets in Spain and H2O is no exception.

The centre trading levels remain below the pre-covid highs however a recovery is evident. In the calendar year to 31 December 2021, visitor numbers were approximately 20% below those of 2019 (pre-Covid). Visitor numbers for the period January to March 2022 were 21% above the same period in 2021.

The lingering economic effect of Covid-19 on the retail sector is expected to continue to impact on the earnings of H2O for the financial year.

The asset management highlights are as follows:

- **Valuation:** 31 March 2022: €121.0 million (£102.1 million) (31 March 2021: €119.8 million (£101.9 million)).
- **Centre occupancy:** 90.7% by area as at 31 March 2022.
- **Weighted average lease length to next break:** 2.3 years and 7.6 years to expiry as at 31 March 2022.

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)

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	£7.8m* (€9.2m)	6.3%**	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 2022

ART has an investment of €9.2 million (£7.8 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 (£8.0 million) non-recourse, fixed rate, bank debt facility which matures on 31 July 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.

Investment review (continued)

Other investments

Listed and authorised fund investments

Investment	Investment type	Carrying value	Income return*	Property type / underlying security	Investment notes
Commercial Long Income PAIF ('CLIP')	Authorised fund	£5.3m	6.1%**	Open ended long income fund	Long lease real estate fund
Sequoia Economic Infrastructure Income Fund Limited	Listed equity	£2.8m	5.6%	Listed investment fund	FTSE 250 infrastructure debt fund
GCP Infrastructure Investments Limited	Listed equity	£1.4m	6.7%	Listed investment fund	FTSE 250 infrastructure fund
GCP Asset Backed Income Fund Limited	Listed equity	£1.5m	6.0%	Listed investment fund	Diversified asset back debt fund
Total		**£11.0m**	**5.9%**		

* Yield on equity based on 12 months to 31 March 2022
** CLIP is a daily dealt authorised fund and ART's investment is an accumulation share class. The return reported represents the total movement in the shares during the period annualised.

During the year, the Company invested a total of £11.0 million (carrying value as at 31 March 2022: £11.0 million) across four investments that offer potential to generate attractive risk adjusted returns. The returns offer a potentially accretive return to holding cash while the Company deploys capital into lending opportunities in line with its strategy of increasing its senior and mezzanine loan portfolio. These funds invest in ungeared long-dated real estate, debt and infrastructure.

Affordable housing

During the year, RealHousingCo Limited ('RHC') obtained successful registration with the Regulator of Social Housing as a For Profit Registered Provider of affordable homes. This status provides RHC with a platform to undertake future investment in the affordable housing sector which offers scope to generate long term, inflation-linked returns while addressing the chronic undersupply of affordable homes in the UK.

RHC owns a residential property located in Liverpool (UK), which is comprised of seven units, all of which are occupied by private individuals, each with a six month term contract. The fair value of the Liverpool property as at 31 March 2022 was £0.6 million.

Galaxia, National Capital Region, NOIDA, India

During February 2022, the Supreme Court of India issued an order concluding the litigation regarding the Company's Galaxia investment, a 50:50 joint venture with Logix Group ('Logix') in relation to an 11.2 acre development site located in NOIDA, the National Capital Region, India.

As part of a prior court ruling, Logix were permitted to sell the Galaxia site to raise capital for the award. The sale completed and the funds lodged by the purchaser with the Supreme Court have been repatriated (post year end) to ART's investment subsidiary in return for ART's subsidiary and Logix relinquishing their title interests.

Reflecting the receipt of funds in April 2022 and allowing for provisioned residual costs associated with the investment, the Company has increased the carrying value of the joint venture in arbitration in its accounts as at 31 March 2022 to £5.9 million (INR 585 million) (31 March 2021: nil value).

Investment review (continued)

Cash balances

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Cash and cash on escrow balance *	Cash	£54.3m	0.1% **	'On call' and current accounts	n/a

* Group cash of £55.0m excluding cash held with the Hamburg holding company of £0.7m.
** weighted average interest earned on call accounts.

As at 31 March 2022, the Group had cash balances (including cash on escrow) of £54.3 million, excluding cash held with the Hamburg holding company of £0.7 million.

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

Summary

ART has a diversified portfolio focussed on asset-backed lending and property investments in Western Europe.

The Company is currently focussed on continuing to grow its senior and mezzanine loan portfolio whilst retaining scope to deliver attractive risk adjusted cashflows and capital gains through its wider investment strategy.

Brad Bauman and Gordon Smith
For and on behalf of the Investment Manager
9 June 2022


Secured lending: Ryedale House, York

Directors

William Simpson

Chairman

Aged 66

William Simpson has over 30 years' experience as a lawyer in financial services. 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 consultant and remains a director of a number of Guernsey based financial services companies. William is a member of the English and Guernsey Bars.

Phillip Rose

Director

Aged 62

Phillip Rose is a Fellow of the Securities Institute and holds a Master of Law degree. He has over 40 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.

Jeff Chowdhry

Director

Aged 61

Jeff is currently a Partner at RLC Ventures, an early stage, software focused, VC fund.

He has an investment career which spans over 35 years having held senior positions at F&C, as head of emerging markets and BMO Asset Management where he was responsible for AUM of over $5 billion.

He is an active Angel investor having backed over 30 start-up companies and has several board advisory positions within these rapidly growing businesses.

Mel Torode

Director

Aged 42

Mel Torode has 20 years' experience in the fund administration industry specifically including private equity, property and mezzanine debt and is an Independent Non-Executive Director.

Prior to founding Morgan Sharpe in April 2008 (a fund administration company sold to Estera, subsequently Ocorian, in 2017), Mel was the Company Secretary of Assura Administration, overseeing the administration of listed property funds. During the period from 2017 to 2021, Mel held the roles of Operations Director, Managing Director and subsequently Non-Executive of Ocorian Guernsey.

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.

Peter Griffin

Director

Aged 63

Peter Griffin has over 30 years' experience in financial services and is a qualified chartered accountant.

He is currently a director of three investment companies listed on The International Stock Exchange: Handelsbanken Alternatives Fund Limited, The London Central Portfolio Property Fund Limited and The London Central Residential Recovery Fund Limited.

Peter previously had various senior roles in the trust services industry in the Channel Islands and Isle of Man.

Directors' and corporate governance report

The Directors present their report and financial statements of the Group for the year ended 31 March 2022.

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 2022 are set out in the financial statements. On 25 February 2022, the Company declared a dividend of 1.0p per share, which was paid to shareholders on 6 April 2022. The intention of the Company is to pay a dividend quarterly.

Share buybacks

Under the general authority, approved by Shareholders on 6 August 2021, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares.

During the year, the Company purchased 207,645 shares in the market at the average price of £1.64 per share: these shares are held in treasury. Post year end, the Company purchased 46,500 shares in the market at the average price of £1.51 per share: these shares are held in treasury. As at the date of this announcement, the ordinary share capital of the Company is 64,283,530 (including 2,298,565 ordinary shares held in treasury) and the total voting rights in the Company are 61,984,965.

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 2021: for this period, scrip dividend alternative elections were received in respect of 49,150,434 shares of the Company, which has resulted in the issue of 346,379 new ordinary shares in April 2022.

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 (amended in February 2016 and November 2021) ('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.

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 2022 are set out below:

	Number of ordinary shares 31 March 2022	Number of ordinary shares 31 March 2021
Phillip Rose	953,872	933,867
Jeff Chowdhry	5,000	5,000
Melanie Torode	-	-
William Simpson	18,000	18,000
Peter Griffin*	-	-

* appointed on 30 September 2021

Post year end, Phillip Rose increased his shareholding in ART to 959,854 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 8 September 2022. At this meeting, William Simpson and Peter Griffin 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.

Directors' and corporate governance report (continued)

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 and Europe 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.

Board Meeting attendance

The table below shows the attendance at Board meetings during the year to 31 March 2022:

Director	No of meetings attended
David Jeffreys*	6
Phillip Rose	2
Jeff Chowdhry	4
Melanie Torode	13
William Simpson	13
Peter Griffin**	6
No. of meetings during the year	**14**

* retired on 30 September 2021
** appointed on 30 September 2021

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.

Directors' and corporate governance report (continued)

Audit and Risk Committee

The Audit and Risk Committee consists of Peter Griffin (Chairman), Jeff Chowdhry and William Simpson. The Board is satisfied that Peter Griffin 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*	1
William Simpson	3
Jeff Chowdhry	2
Peter Griffin**	2
No. of meetings during the year	**3**

* retired on 30 September 2021
** appointed on 30 September 2021

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.

Nomination Committee and attendance

The Nomination Committee consists of William Simpson (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 twice during the year and all Committee members were present.

Remuneration Committee and attendance

The Remuneration Committee consists of Melanie Torode (Chairman), Jeff Chowdhry and William Simpson.

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. The annual fees payable to each Director, which were last reviewed in 2019, have been increased by 10% with effect from 1 April 2022. 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.

Directors' and corporate governance report (continued)

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

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
David Jeffreys*	18,000	36,000
Phillip Rose	25,000	25,000
Jeff Chowdhry	25,000	25,000
William Simpson	25,000	25,000
Peter Griffin**	12,500	-
Melanie Torode***	55,476	62,335
Total	**160,976**	**173,335**

* retired on 30 September 2021
** appointed on 30 September 2021
*** This comprises £25,000 for the ART's directorship plus fees for directorships of ART's subsidiaries and joint ventures

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 26 May 2022 were as follows:

Name of investor	No. of voting rights	% held
Alpha Global Property Securities Fund Pte. Ltd	24,332,844	39.25%
Rockmount Ventures Ltd	23,768,517	38.34%
Miton Global Opportunities	2,575,000	4.15%

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' 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.

Directors' and corporate governance report (continued)

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.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group can be outlined as follows:

- Rental income, fair value of investment properties (directly or indirectly held) and fair value of the Group's equity investments are affected, together with other factors, by general economic conditions and/or by the political and economic climate of the jurisdictions in which the Group's investments and investment properties are located.
- The Group's loan investments are exposed to credit risk which arise by the potential failure of the Group's counter parties to discharge their obligations when falling due; this could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date; the Group receives regular updates from the relevant investment manager as to the performance of the underlying investments and assesses their credit risk as a result.
- The Russian invasion of Ukraine is also considered to be a significant risk and uncertainty for the Group: this is discussed on the first paragraph of the below going concern section.

Russian invasion of Ukraine, Covid-19 pandemic and going concern

The Company has assessed potential impacts on the ART's portfolio arising from the Russian invasion of Ukraine. ART has no investments in Ukraine or Russia, nor exposure to any companies that have investments in, or links to, Ukraine or Russia. ART has no arrangements with any person currently on (or potentially on) any sanctions list, or links to Ukraine or Russia. The immediate economic impact of the invasion has been a sharp increase in the price of oil and other energy based commodities. ART has no direct exposure to these commodities. None of the borrowers or other counterparties in ART's loan book have links to Ukraine or Russia. It is too early to measure any impact or increased risk to the underlying values supporting ART's loan portfolio, but we do not expect any material change to these values on account of the conflict. The Board will continue to monitor the situation regularly, and will consider the wider impact on the economy (such as potential further increases in inflation and interest rates) and if there would be any potential material impact on ART's portfolio.

The Company has not been isolated from the ubiquitous impact of the Covid-19 pandemic on global economies in the past year. The Company's long term strategy remains resilient. The Company adopted a prudent short term strategy to move to cash conservation and a cautious approach to commitments to new investments during the financial year. Alert to the impact of potentially reducing income returns, this approach supported a robust balance sheet position during these uncertain times. Investment in new lending and growing the Company's diversified loan portfolio has recommenced and remains a key focus. As noted above, the Company held approximately 40.8% of its assets (excluding sundry net assets) in cash as at 31 March 2022 with limited 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, with the support of revenue forecasts for the next twelve months 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 8 September 2022 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,

William Simpson
Director

Peter Griffin
Director

9 June 2022

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 page 25 provides a description of the principal risks and uncertainties that the Group faces.

By order of the Board,

William Simpson
Director

Peter Griffin
Director

9 June 2022

Independent auditors' report

To the Members of Alpha Real Trust Limited

Opinion on the financial statements

In our opinion, the financial statements of Alpha Real Trust Limited (the 'Parent Company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of the Group for the year ended 31 March 2022 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 IFRS as adopted by the European Union.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Obtaining those charged with governance and directors' assessment in respect of going concern and challenging this, based on our knowledge of the Group, with both those charged with governance and management.
- Consideration of the cash available together with the expected annual running expenses of the Group and determining whether these assumptions were reasonable based on our knowledge of the Group.
- Reviewing the minutes of meetings of those charged with governance, the RNS announcements and the compliance reports for indication of any events or conditions which may impact on going concern.

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

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

Overview

Key audit matters (2022 and 2021)	• Property valuations • Loans advanced and IFRS 'Financial Statements'
Materiality	**Group financial statements as a whole** £2,135,000 (2021: £2,023,000) based on 1.5% (2021: 1.5%) of total assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

Independent auditors' report (continued)

The Group consists of the Parent Company, numerous subsidiaries and 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 based on the consolidated financial information (see Materiality section below).

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 a component auditor who is part of the BDO Network.

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 the group engagement team performed audit procedures over all of the risk areas identified.

Our involvement with component auditors

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditor included the following:

We issued group instructions to the component auditor of the H20 Joint venture 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.

Key audit matters

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

Key audit matter

Property valuations

(notes 2(b), 12, 13 and 26)

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

The directors have valued all properties based on independent RICS valuations performed by independent valuers.

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.

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, and we therefore determined this to be a key audit matter.

How the scope of our audit addressed the key audit matter

Independent valuations

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

We read the valuation reports for the properties and discussed the basis of the property valuations 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.

Key observations

Based on the procedures performed, we consider that the judgements made in the property valuations are reasonable.

Independent auditors' report (continued)

Key audit matter

Loans advanced and IFRS 9 'Financial Instruments'

(note 2(b) and 16)

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, and we therefore considered this to be a key audit matter.

How the scope of our audit addressed the key audit matter

Through challenge, discussion and review of example scenarios, we gained a detailed understanding of, and evaluated, the expected credit loss methodology applied by management. 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:

- reviewing the methodology, including key assumptions and parameters, to check it is in line with IFRS 9 and appropriate, given our understanding of the loans advanced.
- obtaining and reviewing all loan agreements to confirm the appropriateness of all loans except 1 being classified as stage 3 due to the repayable on demand feature.
- obtaining and challenging, through discussion, the updates made to the existing methodology to appropriately reflect the changes in the economy.
- obtaining underlying supporting documentation, on a sample basis, we tested the inputs that drive the economic scenario applied to the loans.
- undertaking procedures to check that the ECL model applied by management was mathematically accurate;
- challenging management's expected credit loss on two individual loans which had entered into true default and the manual adjustments made over the mechanical model.

Key observations

Based on the procedures performed, consider the estimates used in the determination of the expected credit losses were reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2022	2021
Materiality	£2,135,000	£2,023,000
Basis for determining materiality	1.5% of total assets	
Rationale for the benchmark applied	Due to it being an investment fund with the objective of long-term capital growth with investment values being a key focus of users of the financial statements.	
Performance materiality	£1,601,000	£1,517,000
Basis for determining performance materiality	**75% of materiality** This was determined using our professional judgement and took into account the complexity of the group and our long-standing knowledge of the engagement together with a history of minimal errors and adjustments.	

Independent auditors' report (continued)

Specific materiality

We also determined that for sensitive fees including: management fees, performance fees, legal fees, directors' fees and audit fees, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 10% (2021: 10%) of materiality being £213,000 (2021: £203,000). We further applied a performance materiality level of 75% (2021: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality

We set materiality for the significant component of the Group based on a percentage of 90% (2021: 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality was set at £1,921,500 (2021: £1,822,050) . In the audit of each component, we further applied performance materiality levels of 75% (2021: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £64,000 (2021:£60,700). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies (Guernsey) Law, 2008 reporting

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 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' responsibilities statement within 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the 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.

Independent auditors' report (continued)

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

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

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to its investment activities, and we considered the extent to which non-compliance might have a material effect on the Group's financial statements.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and have a direct impact on the preparation of the financial statements. We determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework such as IFRS and the Companies (Guernsey) Law, 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to revenue recognition in relation to the rental income from properties held, revenue recognition in relation to loan interest from loans advanced and management bias and judgement involved in accounting estimates, specifically in relation to the valuation of properties and the expected credit loss provisions (the response to which are detailed in our key audit matters above).

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

Audit procedures performed by the engagement team to respond to the risks identified included:

- Discussion with and enquiry of management and those charged with governance concerning known or suspected instances of non-compliance with laws and regulations and fraud;
- Obtaining an understanding of the internal control environment in place to prevent and detect irregularities;
- Reading minutes of meetings of those charged with governance, correspondence with the Guernsey Financial Services Commission, internal compliance reports, complaint registers and breach registers to identify and consider any known or suspected instances of non-compliance with laws and regulations and fraud;
- Recalculating loan interest income based on the underlying loan agreements; and
- Recalculating the rental income based on the lease agreements and required accounting by IFRS and comparing to that of managements and challenging differences.

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

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

The engagement director on the audit resulting in this independent auditor's opinion is Justin Hallett.

Use of our report

This report is made solely to the 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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

9 June 2022

Consolidated statement of comprehensive income

		For the year ended 31 March 2022			For the year ended 31 March 2021		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Revenue	3	5,456	-	5,456	5,318	-	5,318
Change in the revaluation of investment property and assets held for sale	13	-	1,195	1,195	-	99	99
Gains/(losses) on financial assets and liabilities held at fair value through profit or loss	25	601	(214)	387	72	400	472
Profit/(loss) on investment property disposal		-	-	-	-	110	110
Total income		**6,057**	**981**	**7,038**	**5,390**	**609**	**5,999**
Expenses							
Expected credit losses	16	(1,262)	(1,310)	(2,572)	-	-	-
Property operating expenses	3	(64)	-	(64)	(86)	-	(86)
Investment Manager's fee	24	(2,270)	-	(2,270)	(2,322)	-	(2,322)
Other administration costs	4	(962)	-	(962)	(1,074)	-	(1,074)
Total operating expenses		**(4,558)**	**(1,310)**	**(5,868)**	**(3,482)**	**-**	**(3,482)**
Operating profit		**1,499**	**(329)**	**1,170**	**1,908**	**609**	**2,517**
Share of profit/(loss) of joint ventures and associates	12	1,215	500	1,715	446	(2,973)	(2,527)
Gain on joint venture in arbitration	14	-	5,868	5,868	-	503	503
Finance income	5	4	-	4	4	-	4
Finance costs	6	(198)	(52)	(250)	(207)	(194)	(401)
Profit/(loss) before taxation		**2,520**	**5,987**	**8,507**	**2,151**	**(2,055)**	**96**
Taxation	7	(82)	(265)	(347)	(76)	-	(76)
Profit/(loss) for the year		**2,438**	**5,722**	**8,160**	**2,075**	**(2,055)**	**20**
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		-	(124)	(124)	-	(705)	(705)
Other comprehensive expense for the year		**-**	**(124)**	**(124)**	**-**	**(705)**	**(705)**
Total comprehensive income/(expense) for the year		**2,438**	**5,598**	**8,036**	**2,075**	**(2,760)**	**(685)**
Earnings per ordinary share (basic & diluted)	9			**13.3p**			**0.0p**
Adjusted earnings per ordinary share (basic & diluted)	9			**4.0p**			**3.4p**

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 62 form an integral part of the financial statements.

Consolidated balance sheet

	Notes	31 March 2022 £'000	31 March 2021 £'000
Non-current assets			
Investment property	13	15,984	14,918
Investments held at fair value	15	-	31
Investment in joint ventures and associates	12	17,193	17,761
Loans advanced	16	13,093	5,630
		46,270	**38,340**
Current assets			
Joint venture in arbitration	14	5,868	-
Investments held at fair value	15	10,990	-
Derivatives held at fair value through profit or loss	25	88	-
Loans advanced	16	23,341	27,177
Collateral deposit	17	936	1,106
Trade and other receivables	18	13,711	36
Cash and cash equivalents		41,250	68,213
		96,184	**96,532**
Total assets		**142,454**	**134,872**
Current liabilities			
Trade and other payables	19	(971)	(752)
Corporation tax	7	(12)	(42)
Bank borrowings	20	(29)	(29)
		(1,012)	**(823)**
Total assets less current liabilities		**141,442**	**134,049**
Non-current liabilities			
Bank borrowings	20	(7,921)	(7,973)
Deferred tax	7	(265)	-
		(8,186)	**(7,973)**
Total liabilities		**(9,198)**	**(8,796)**
Net assets		**133,256**	**126,076**
Equity			
Share capital	21	-	-
Special reserve	22	68,243	66,655
Translation reserve	22	(801)	(677)
Capital reserve	22	44,017	38,295
Revenue reserve	22	21,797	21,803
Total equity		**133,256**	**126,076**
Net asset value per ordinary share	10	**216.0p**	**207.7p**

The financial statements were approved by the Board of Directors and authorised for issue on 9 June 2022. They were signed on its behalf by William Simpson and Peter Griffin.

The accompanying notes on pages 36 to 62 form an integral part of the financial statements.

William Simpson
Director

Peter Griffin
Director

Consolidated cash flow statement

	For the year ended 31 March 2022 £'000	For the year ended 31 March 2021 £'000
Operating activities		
Profit for the year after taxation	8,160	20
Adjustments for:		
Change in revaluation of investment property and assets held for sale	(1,195)	(99)
Net gains on financial assets and liabilities held at fair value through profit or loss	(387)	(472)
Profit on investment property disposals	-	(110)
Taxation	347	76
Share of (profit)/loss of joint ventures and associates	(1,715)	2,527
Gain on joint venture in arbitration	(5,868)	(503)
Interest receivable on loans to third parties	(4,528)	(4,278)
Expected credit losses	2,572	-
Finance income	(4)	(4)
Finance costs	250	401
Operating cash flows before movements in working capital	**(2,368)**	**(2,442)**
Movements in working capital:		
Movement in trade and other receivables	8	410
Movement in trade and other payables	219	(539)
Cash flows used in operations	**(2,141)**	**(2,571)**
Loan interest received	2,717	1,646
Loans granted to third parties	(24,722)	(6,329)
Cash in escrow for loans to be granted post year end	(13,683)	-
Loans repaid by third parties	20,406	16,109
Interest received	4	4
Interest paid	(183)	(192)
Tax paid	(113)	(83)
Cash flows (used in)/from operating activities	**(17,715)**	**8,584**
Investing activities		
Acquisition of investments	(10,998)	-
Investment in joint ventures	(84)	(84)
Proceeds on disposal of investment property	-	10,157
Dividend income from joint ventures and associates	959	408
Dividend income from investments	267	-
Capital return from joint venture in arbitration	-	2,981
Capital return from joint venture	1,263	-
Collateral deposit decrease	170	260
Cash flows (used in)/from investing activities	**(8,423)**	**13,722**
Financing activities		
Share buyback	(339)	(167)
Share buyback costs	(2)	-
Share issue costs	(63)	(64)
Cash received on maturity of foreign exchange forward	72	657
Ordinary dividends paid	(452)	(635)
Cash flows used in financing activities	**(784)**	**(209)**
Net (decrease)/increase in cash and cash equivalents	**(26,922)**	**22,097**
Cash and cash equivalents at beginning of year	**68,213**	**46,068**
Exchange translation movement	(41)	48
Cash and cash equivalents at end of year	**41,250**	**68,213**

The accompanying notes on pages 36 to 62 form an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2021	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2020	**65,118**	**28**	**40,350**	**22,131**	**127,627**
Total comprehensive income for the year					
(Loss)/profit for the year	-	-	(2,055)	2,075	20
Other comprehensive expense for the year	-	(705)	-	-	(705)
Total comprehensive (expense)/income for the year	**-**	**(705)**	**(2,055)**	**2,075**	**(685)**
Transactions with owners					
Cash dividends	-	-	-	(635)	(635)
Scrip dividends	1,768	-	-	(1,768)	-
Share issue costs	(64)	-	-	-	(64)
Share buyback	(167)	-	-	-	(167)
Total transactions with owners	**1,537**	**-**	**-**	**(2,403)**	**(866)**
At 31 March 2021	**66,655**	**(677)**	**38,295**	**21,803**	**126,076**
Notes 21, 22					

For the year ended 31 March 2022	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2021	**66,655**	**(677)**	**38,295**	**21,803**	**126,076**
Total comprehensive income for the year					
Profit for the year	-	-	5,722	2,438	8,160
Other comprehensive expense for the year	-	(124)	-	-	(124)
Total comprehensive (expense)/income for the year	**-**	**(124)**	**5,722**	**2,438**	**8,036**
Transactions with owners					
Cash dividends	-	-	-	(452)	(452)
Scrip dividends	1,992	-	-	(1,992)	-
Share issue costs	(63)	-	-	-	(63)
Share buyback	(339)	-	-	-	(339)
Share buyback costs	(2)	-	-	-	(2)
Total transactions with owners	**1,588**	**-**	**-**	**(2,444)**	**(856)**
At 31 March 2022	**68,243**	**(801)**	**44,017**	**21,797**	**133,256**
Notes 21, 22					

The accompanying notes on pages 36 to 62 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2022

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 63. 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 9 June 2022 and signed by William Simpson and Peter Griffin 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.

Russian invasion of Ukraine, Covid-19 pandemic and going concern

The Company has assessed potential impacts on the ART's portfolio arising from the Russian invasion of Ukraine. ART has no investments in Ukraine or Russia, nor exposure to any companies that have investments in, or links to, Ukraine or Russia. ART has no arrangements with any person currently on (or potentially on) any sanctions list, or links to Ukraine or Russia. The immediate economic impact of the invasion has been a sharp increase in the price of oil and other energy based commodities. ART has no direct exposure to these commodities. None of the borrowers or other counterparties in ART's loan book have links to Ukraine or Russia. It is too early to measure any impact or increased risk to the underlying values supporting ART's loan portfolio, but we do not expect any material change to these values on account of the conflict. The Board will continue to monitor the situation regularly, and will consider the wider impact on the economy (such as potential further increases in inflation and interest rates) and if there would be any potential material impact on ART's portfolio.

The Company has not been isolated from the ubiquitous impact of the Covid-19 pandemic on global economies in the past year. The Company's long term strategy remains resilient. The Company adopted a prudent short term strategy to move to cash conservation and a cautious approach to commitments to new investments during the financial year. Alert to the impact of potentially reducing income returns, this approach supported a robust balance sheet position during these uncertain times. Investment in new lending and growing the Company's diversified loan portfolio has recommenced and remains a key focus. As noted above, the Company held approximately 40.8% of its assets (excluding sundry net assets) in cash as at 31 March 2022 with limited 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, with the support of revenue forecasts for the next twelve months 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

A few amendments and interpretations of existing standards apply to the Group's financial year but these did not have a significant impact on the financial statements of the Company.

(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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

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.

(c) Joint venture in arbitration

The Galaxia joint venture is classified as joint venture in arbitration and, historically, it has been included within the financial statements based on its estimate of realisable value to the Group: following the full recovery of the Group's capital invested in the joint venture and the receipt, post year end, of the full amount due under the award, allowing for provisioned residual costs associated with the investment, the Company has increased the carrying value of the joint venture in arbitration in its accounts as at 31 March 2022 to £5.9 million (INR 585 million) (31 March 2021: nil value).

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 page 32).

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

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 Group owns no leasehold property.

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:€1.185 (2021: £1:€1.175) and the average rate for the year used is £1:€1.176 (2021: £1:€1.121). The year-end exchange rate used for Indian rupee (INR) balances is £1:INR99.678 (2021: £1:INR100.855) and the average rate for the year used is £1:INR101.813 (2021: £1:INR97.046).

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.

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 (H2O), owned through investment entities in Luxembourg and the Netherlands, in Germany (Hamburg), owned through a Guernsey subsidiary and in the United Kingdom, owned directly by a UK subsidiary (Liverpool) or through an investment entity incorporated in Jersey (Cambourne). 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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

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 generated in the UK was £4,617,000 and in Germany was £839,000 (Year ended 31 March 2021: £4,443,000 in the UK and £875,000 in Germany).

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

Country	2022 £'000	2021 £'000
UK	13,836	8,042
Germany	15,359	14,298
Spain	17,075	16,000
India	5,868	-
Total	**52,138**	**38,340**

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

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.

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.

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

(a) (iii) Impairment of financial assets

(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 two 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 25.

(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 25 (capital risk part) 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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

2. (a) Significant accounting policies (continued)

(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 2022, 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 Liverpool (UK) (notes 13 and 26);
- An indirectly owned property located in Madrid (Spain), held through CBRE H2O Rivas Holding NV (note 12).

In the prior year, the valuation reports received from the independent valuers, with the exception of the Hamburg property, included a 'Material Valuation Uncertainty' paragraph in relation to the market risks linked to the Covid-19 pandemic: this paragraph explained that valuers had attached less weight to previous market evidence for comparison purposes to achieve an informed opinion on value. Valuers therefore recommended that a higher degree of caution should have been attached to those valuations compared to valuations carried out under normal circumstances. This paragraph has been removed by all valuers in their valuation reports as at 31 March 2022.

A sensitivity analysis of these investment properties' valuations is provided in notes 12 and 26.

(b) 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.

Two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise their capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have calculated an Expected Credit Loss ('ECL') on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

Notes to the financial statements (continued)

For the year ended 31 March 2022

3. Revenue

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Rental income	821	986
Service charge income	52	54
Rental revenue	**873**	**1,040**
Interest receivable on loans to third parties (note 16)	4.528	4,278
Interest revenue	**4,528**	**4,278**
Other income	55	-
Other revenue	**55**	**-**
Total	**5,456**	**5,318**

At 31 March 2022, the Group recognised non recoverable property operating expenditure as follows:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Service charge income	52	54
Property operating expenditure	(64)	(86)
Non recoverable property operating expenditure	**(12)**	**(32)**

The Group recognises rental revenue from its investment in one commercial property, a long leased industrial facility in Hamburg, Germany and 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 Liverpool residential property is comprised of seven units, all of which are occupied by private individuals with a six month term contract.

At 31 March 2022, the Group had contracted with its tenants for the following future minimum lease payments:

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Within one year	816	784
In the second to fifth years inclusive	3,265	3,136
After five years	12,048	12,356
Total	**16,129**	**16,276**

4. Other administration costs

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Auditors' remuneration for audit services	96	93
Accounting and administrative fees	400	466
Non-executive directors' fees	161	173
Other professional fees	305	342
Total	**962**	**1,074**

Notes to the financial statements (continued)

For the year ended 31 March 2022

5. Finance income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Bank interest receivable	4	4
Total	**4**	**4**

6. Finance costs

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest on bank borrowings	198	207
Foreign exchange loss	52	194
Total	**250**	**401**

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.

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 2021: £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 2022 £'000	Year ended 31 March 2021 £'000
Deferred tax	265	-
Current tax	82	76
Tax Expense	**347**	**76**

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Tax expense reconciliation		
Profit before taxation	8,507	96
Less: income not taxable	(15,343)	(11,637)
Add: expenditure not deductible	8,000	11,550
Un-provided deferred tax asset movement	(738)	250
Total	**426**	**259**

Notes to the financial statements (continued)

For the year ended 31 March 2022

7. Taxation (continued)

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Analysed as arising from		
Cyprus entities	352	134
Dutch entity	69	121
India entity	-	-
Luxembourg entities	-	-
German investments	5	4
UK investment	-	-
Total	**426**	**259**

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Cypriot taxation at 12.50%	44	17
Dutch taxation at 20%	14	24
India taxation at 22.66%	-	-
Luxembourg entities at an average rate of 29.22% *	23	34
German taxation at 15.825%	1	1
UK taxation at 20%	-	-
Total	**82**	**76**

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

(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 2020	**-**	**-**	**(457)**	**457**	**-**
Release to income	-	-	190	(190)	-
At 31 March 2021	**-**	**-**	**(267)**	**267**	**-**
Release to income	265	-	(69)	69	265
At 31 March 2022	**265**	**-**	**(336)**	**336**	**265**

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.

	2022 £'000	2021 £'000
Deferred tax liabilities	601	267
Deferred tax assets	(336)	(267)
Total	**265**	**-**

At the balance sheet date the Group has unused tax losses of £0.9 million (2021: £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.

A deferred tax liability has been provided for in relation to the Hamburg investment property in Germany.

Notes to the financial statements (continued)

For the year ended 31 March 2022

8. Dividends

Dividend reference period	Shares '000	Dividend per share	Paid £	Date of payment
Quarter ended 31 December 2020	10,988	1.0p	109,880	9 April 2021
Quarter ended 31 March 2021	10,922	1.0p	109,220	16 July 2021
Quarter ended 30 June 2021	12,487	1.0p	124,879	22 October 2021
Quarter ended 30 September 2021	10,764	1.0p	107,646	7 January 2022
Total			**451,625**	

On 6 April 2022, the Company paid a dividend for the quarter ended 31 December 2021 of £125,450 (1.0p per share).

The Company will pay a dividend for the quarter ended 31 March 2022 on 20 July 2022.

In accordance with IAS 10, the dividends for quarters ended 31 December 2021 and 31 March 2022 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 1,191,144 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 2021: elections were received in respect of 49,150,434 shares, which resulted in the issue of 346,379 new ordinary shares. These shares have been issued at a price of 141.9 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 7 April 2022.

9. Earnings per share

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

	Year ended 31 March 2022 Ordinary share	Year ended 31 March 2021 Ordinary share
Earnings per statement of comprehensive income (£'000)	8,160	20
Basic and diluted earnings pence per share	**13.3**	**0.0**
Earnings per statement of comprehensive income (£'000)	8,160	20
Net change in the revaluation of investment properties and assets held for sale	(1,195)	(99)
Profit on investment property disposal	-	(110)
Gain on joint venture in arbitration	(5,868)	(503)
Movement in fair value of investments	302	(108)
Movement in fair value of foreign exchange forward contract	(88)	(508)
Net change in the revaluation of the joint ventures' investment property	(500)	2,973
Expected credit losses	1,310	-
Deferred tax	265	-
Foreign exchange loss	52	194
Adjusted earnings	**2,438**	**2,075**
Adjusted earnings (pence per share)	**4.0**	**3.4**
Weighted average number of shares ('000s)	**61,311**	**60,290**

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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

10. Net asset value per share

	31 March 2022	31 March 2021
Net asset value (£'000)	133,256	126,076
Net asset value per ordinary share	**216.0p**	**207.7p**
Total number of shares ('000s)	**61,685**	**60,702**

11. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries as at 31 March 2022, 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
KMS Holding NV	Ordinary shares	100	Netherlands	Holding Company
ART Germany 1 Ltd	Ordinary shares	100	Guernsey	Property Company
Realhousingco Ltd	Ordinary shares	100	United Kingdom	Property Company

During the year, the Group completed the liquidation of Alpha Tiger Guernsey Holdings No.1 Ltd, which was part of the structure that held the Unity and Armouries property in Birmingham (UK), sold on 11 June 2020, and Alpha UK Property Fund Asset Company ('No. 2') Limited, which sold its remaining industrial property located in Wolverhampton (UK) on 11 September 2020.

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:

	H2O	SPHL	Total	H2O	SPHL	Total
	31 March 2022	31 March 2022	31 March 2022	31 March 2021	31 March 2021	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April	**16,000**	**1,761**	**17,761**	**19,486**	**1,741**	**21,227**
Additions	-	84	84	-	84	84
Group's share of joint venture and associate profits before fair value movements and dividends	1,162	53	1,215	305	141	446
Fair value adjustment for investment property	58	442	500	(2,828)	(145)	(2,973)
Dividends paid by joint venture and associate to the Group	-	(959)	(959)	(348)	(60)	(408)
Capital return	-	(1,263)	(1,263)	-	-	-
Foreign exchange movements	(145)	-	(145)	(615)	-	(615)
As at 31 March	**17,075**	**118**	**17,193**	**16,000**	**1,761**	**17,761**

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 2022, the carrying value of ART's investment in CBRE H2O was £17.1 million (€20.2 million) (31 March 2021: £16.0 million (€18.8 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. On 6 December 2021, SPHL disposed of its subsidiary holding the investment property and distributed the sale proceeds to the joint venturers: ART received £1.3 million as capital return and £1.0 million as dividends. Post year end, SPHL has commenced the process for a voluntary liquidation. As at 31 March 2022, the carrying value of ART's investment in SPHL was £0.1 million (31 March 2021: £1.8 million).

Notes to the financial statements (continued)

For the year ended 31 March 2022

12. Investment in joint ventures and associates (continued)

Foreign exchange movement is recognised in other comprehensive income.

The investment in CBRE H2O is deemed to be significant and material for the Group; its financial information can be summarised as follows:

Statement of comprehensive income	H2O Year ended 31 March 2022 £'000	H2O Year ended 31 March 2021 £'000
Revenue	10,802	7,649
Change in the revaluation of investment property	193	(9,427)
Total income/(expense)	**10,995**	**(1,778)**
Operating expenses	(5,036)	(5,314)
Operating profit/(loss)	**5,959**	**(7,092)**
Finance costs	(1,258)	(1,325)
Profit/(loss) before taxation	**4,701**	**(8,417)**
Taxation	(633)	5
Profit/(loss) for the period	**4,068**	**(8,412)**
Other comprehensive income/(expense)	-	-
Total comprehensive income/(expense)	**4,068**	**(8,412)**

Balance sheet	H2O 31 March 2022 £'000	H2O 31 March 2021 £'000
Investment property	102,084	101,932
Non-current assets	**102,084**	**101,932**
Trade debtors	2,230	3,178
Other debtors	399	724
Cash	9,629	5,393
Current assets	**12,258**	**9,295**
Trade and other payables	(3,955)	(3,521)
Bank borrowings	(119)	(121)
Current liabilities	**(4,074)**	**(3,642)**
Bank borrowings	(53,348)	(54,251)
Non-current liabilities	**(53,348)**	**(54,251)**
Net assets	**56,920**	**53,334**
Equity	51,728	51,728
Capital and revenue reserve	5,192	1,606
Total equity	**56,920**	**53,334**

The fair value of the H2O property in Madrid (Spain) of €121.0 million (£102.1 million) (31 March 2021: €119.8 million (£101.9 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. For the year ended 31 March 2021, the Savills Aguirre's valuations 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): this clause has been removed for the year ended 31 March 2022.

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 2022

12. Investment in joint ventures and associates (continued)

The fair value of the H2O property is based on unobservable inputs. The following methods, assumptions and inputs were used to estimate fair value of H2O:

31 March 2022 – 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	£102,084 (€120,970)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€178.6
				Discount rate	8.25%

Sensitivity analysis for the 31 March 2022 valuation of the H2O shopping centre:

Significant unobservable inputs	Change applied	Fair value change €'000	Change applied	Fair value change €'000
ERV	-10%	-€8,080	+10%	+€4,880
Discount rate	-1%	+€7,010	+1%	-€9,460

31 March 2021 – 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	£101,932 (€119,770)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€167.3
				Discount rate	8.25%

On 6 December 2021, SPHL disposed of its subsidiary holding Phase 1000 of Cambourne Business Park, Cambridge (UK).

The CBRE H2O group bank borrowings represent the €63.7 million provided by Aareal Bank to Alpha Tiger Spain 1, SLU less the balance of unamortised deferred finance costs of €0.5 million. This loan carries an interest rate of EURIBOR plus 190 basis points, 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.

13. Investment property

	31 March 2022 £'000	31 March 2021 £'000
Fair value of investment property at 1 April	**14,918**	**15,389**
Fair value adjustment in the year	1,195	99
Foreign exchange movement	(129)	(570)
Fair value of investment property at 31 March	**15,984**	**14,918**

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 €18.2 million (£15.4 million) (31 March 2021: €16.8 million (£14.3 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 26).

The fair value of the Liverpool property of £0.6 million (31 March 2021: £0.6 million) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by ASL Chartered Surveyors ('ASL') (note 26). For the year ended 31 March 2021, the ASL's valuation 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): this clause has been removed for the year ended 31 March 2022.

C&W and ASL 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".

Foreign exchange movement is recognised in other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 March 2022

14. Joint venture in arbitration

	31 March 2022 £'000	31 March 2021 £'000
As at 1 April	**-**	**2,510**
Final proceeds receivable	5,868	-
Capital return	-	(2,468)
Foreign exchange movement	-	(42)
As at 31 March	**5,868**	**-**

In February 2022, the Supreme Court of India issued an order concluding the litigation regarding the Company's Galaxia investment, a 50:50 joint venture with Logix in relation to an 11.2 acre development site located in NOIDA, the National Capital Region, India.

As part of a prior court ruling, Logix were permitted to sell the Galaxia site to raise capital for the award. The sale completed and the funds lodged by the purchaser with the Supreme Court have since been repatriated to ART's investment subsidiary in return for ART's subsidiary and Logix relinquishing their title interests.

Reflecting the receipt of funds in April 2022 and allowing for provisioned residual costs associated with the investment, the Company has increased the carrying value of the joint venture in arbitration in its accounts as at 31 March 2022 to £5.9 million (INR 585 million) (31 March 2021: nil value).

Foreign exchange movement is recognised in other comprehensive income.

15. Investments held at fair value

	31 March 2022 £'000	31 March 2021 £'000
Non-current		
As at 1 April	**31**	**139**
Movement in fair value of investments	-	(108)
Transfer to current	(31)	-
As at 31 March	**-**	**31**
Current		
As at 1 April	**-**	**-**
Additions	10,998	-
Movement in fair value of investments	(39)	-
Transfer from non-current	31	-
As at 30 September / 31 March	**10,990**	**-**

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

- In June 2021, ART invested £5.0 million in the Commercial Long Income PAIF ('CLIP') (accumulation shares): CLIP is an open ended long income fund investing in long lease real estate; CLIP provides daily valuations of the net asset value of its shares; the net asset value of the investment as at 31 March 2022 was £5.3 million.
- In July 2021, ART invested in three listed equity funds:
  - £3.1 million in the Sequoia Economic Infrastructure Income Fund Limited ('SEQI'): the market value of SEQI as at 31 March 2022 was £2.8 million;
  - £1.3 million in GCP Infrastructure Investments Limited ('GCP'): the market value of GCP as at 31 March 2022 was £1.4 million;
  - £1.6 million in GCP Asset Backed Income Fund Limited ('GABI'): the market value of GABI as at 31 March 2022 was £1.5 million.
- Europip (participating redeemable preference shares): Europip is currently in the process of being voluntarily wound up; ART's residual value of the investment as at 31 March 2022 was approximately £30,000 (31 March 2021: £30,000).
- 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 2022 was nil (31 March 2021: nil).

ARC is the Authorised Corporate Director and Alternative Investment Fund Manager of CLIP and TIME Investments, a subsidiary of ARC, is the Investment Manager.

Notes to the financial statements (continued)

For the year ended 31 March 2022

16. Loans advanced

	31 March 2022 £'000	31 March 2021 £'000
Non-current		
Loans granted to third parties	12,882	5,630
Interest receivable from loans granted to third parties	211	-
Total loans at amortised cost	**13,093**	**5,630**
Loans at fair value through profit or loss	-	-
Total non-current loans	**13,093**	**5,630**
Current		
Loans granted to third parties	22,945	24,415
Interest receivable from loans granted to third parties	2,473	2,295
Total loans at amortised cost	**25,418**	**26,710**
Loans at fair value through profit or loss	495	467
Expected credit losses	(2,572)	-
Total current loans	**23,341**	**27,177**

As at 31 March 2022, the Group had granted a total of £36.4 million (31 March 2021: £30.5 million) of senior and mezzanine loans to third parties. These comprised twenty 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 17.5% for mezzanine loans and 7.7% 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.

Movement in expected credit losses can be summarised as follows:

	31 March 2022 £'000	31 March 2021 £'000
Opening balance of ECL	**-**	**-**
Movement for the year (revenue)	(1,262)	-
Movement for the year (capital)	(1,310)	-
Closing balance of ECL	**(2,572)**	**-**

Two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise their capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have calculated an ECL on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

Loans maturity of the total £36.4 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	-	-	9,882	3,211	**13,093**
Current	19,565	3,776	-	-	**23,341**

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 £3.6 million, has repayment term of 4 July 2022 and remains in stage 1 of the IFRS 9 model.

Notes to the financial statements (continued)

For the year ended 31 March 2022

16. Loans advanced (continued)

As at 31 March 2022, two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise their capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have calculated an ECL on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

As at 31 March 2022, ART's total undrawn loan commitments amounted to £18.6 million.

Post year end, two new loans were granted for £12.3 million, £1.8 million was drawn from previously committed loans and loan repayments of £6.7 million were received (including accrued interest and exit fees).

17. Collateral deposit

	31 March 2022 £'000	31 March 2021 £'000
Collateral deposit	936	1,106

The collateral deposit of £0.9 million (31 March 2021: £1.1 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.

18. Trade and other receivables

	31 March 2022 £'000	31 March 2021 £'000
Current		
Trade debtors	14	5
VAT	9	14
Other debtors	13,688	17
Total	**13,711**	**36**

The balance of other debtors represents funds held in escrow for two loan investments to be granted post year end: one of these loans completed in April 2022 for £11.8 million whilst the other loan investment for £1.9 million was aborted so the cash was returned to the Group.

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.

19. Trade and other payables

	31 March 2022 £'000	31 March 2021 £'000
Trade creditors	60	15
Deferred revenue	1	-
Investment Manager's fee payable	610	579
Accruals	277	150
Other creditors	23	8
Total	**971**	**752**

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 2022

20. Bank borrowings

	31 March 2022 £'000	31 March 2021 £'000
Current liabilities: interest payable	29	29
Total current liabilities	**29**	**29**
Non-current liabilities: bank borrowings	7,921	7.973
Total liabilities	**7,950**	**8,002**
The borrowings are repayable as follows:		
Interest payable	29	29
On demand or within one year	-	-
In the second to fifth years inclusive	-	-
After five years	7,921	7,973
Total	**7,950**	**8,002**

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

	31 March 2022 £'000	31 March 2021 £'000
As at 1 April	**7,973**	**8,275**
Amortisation of deferred finance costs	15	16
Foreign exchange movement	(67)	(318)
As at 31 March	**7,921**	**7,973**

As at 31 March 2022, bank borrowings represent the Nord LB (a German bank) loan for €9.5 million (£8.0 million) (31 March 2021: €9.5 million (£8.1 million)), less unamortised deferred finance costs (£0.1 million): this loan 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 (£8.0 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 2022 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 2021	**68,213**	**-**	**(29)**	**(7,973)**	**60,211**
Cash movements	(26,922)	72	183	-	(26,667)
Non cash movements					
Foreign exchange adjustments	(41)	-	15	67	41
Unrealised gain on foreign exchange forward contract	-	16	-	-	16
Loan fee amortisation and other costs	-	-	-	(15)	(15)
Interest charge	-	-	(198)	-	(198)
Net asset/(debt) as at 31 March 2022	**41,250**	**88**	**(29)**	**(7,921)**	**33,388**

Notes to the financial statements (continued)

For the year ended 31 March 2022

20. 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 2020	**46,068**	**203**	**(32)**	**(8,275)**	**37,964**
Cash movements	22,097	(54)	192	-	22,235
Non cash movements					
Foreign exchange adjustments	48	-	18	318	384
Unrealised loss on foreign exchange forward contract	-	(149)	-	-	(149)
Loan fee amortisation and other costs	-	-	-	(16)	(16)
Interest charge	-	-	(207)	-	(207)
Net asset/(debt) as at 31 March 2021	**68,213**	**-**	**(29)**	**(7,973)**	**60,211**

21. Share capital

			Number of shares
Authorised			
Ordinary shares of no par value			Unlimited
Issued and fully paid	**Ordinary treasury**	**Ordinary external**	**Ordinary total**
At 1 April 2020	**1,940,797**	**59,713,445**	**61,654,242**
Share issue for scrip dividend	-	1,091,765	1,091,765
Shares bought back	103,623	(103,623)	-
At 1 April 2021	**2,044,420**	**60,701,587**	**62,746,007**
Share issue for scrip dividend	-	1,191,144	1,191,144
Shares bought back	207,645	(207,645)	-
At 31 March 2022	**2,252,065**	**61,685,086**	**63,937,151**

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.

Under the general authority, approved by Shareholders on 6 August 2021, Shareholders approved a resolution giving the Company a general authority to buy back Ordinary Shares.

During the year, the Company purchased 207,645 shares in the market at the average price of £1.64 per share: these shares are held in treasury.

As at 31 March 2022, the ordinary share capital of the Company was 63,937,151 (including 2,252,065 ordinary shares held in treasury) and the total voting rights in the Company is 61,685,086.

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 1,191,144 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 2021: elections were received in respect of 49,150,434 shares, which resulted in the issue of 346,379 new ordinary shares. These shares have been issued at a price of 141.9 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 7 April 2022.

Post year end, the Company purchased 46,500 shares in the market at the average price of £1.51 per share: these shares are held in treasury.

As at the date of this announcement, the ordinary share capital of the Company is 64,283,530 (including 2,298,565 ordinary shares held in treasury) and the total voting rights in the Company are 61,984,965.

Notes to the financial statements (continued)

For the year ended 31 March 2022

22. 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.

23. Events after the balance sheet date

Between April and June 2022, two new loans were granted for £12.3 million, £1.8 million was drawn from previously committed loans and loan repayments of £6.7 million were received (including accrued interest and exit fees).

In early April 2022, ART received the final proceeds from the joint venture in arbitration of £5.9 million.

In April 2022, scrip dividend alternative elections were received in respect of 49,150,434 shares of the Company, which has resulted in the issue of 346,379 new ordinary shares. Post year end, the Company purchased 46,500 shares in the market at the average price of £1.51 per share: these shares are held in treasury.

On 6 April 2022, the Company paid a dividend for the quarter ended 31 December 2021 of £125,450 (1.0p per share).

On 1 June 2022, ART completed the acquisition of the freehold interest in a hotel let to Travelodge Hotels Limited in Lowestoft (UK) for £3.0 million.

24. 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 2021: £2.3 million), net of rebates, was billed by ARC to ART. As at 31 March 2022, a total of £0.6 million (31 March 2021: £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 2022, no performance fee was due to ARC (31 March 2021: nil).

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 CLIP, where ARC is the Authorised Corporate Director and Alternative Investment Fund Manager and TIME Investments, a subsidiary of ARC, is the Investment Manager. ARC rebates fees earned in relation to the Company's investment in CLIP.

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 had invested in Phase 1000, Cambourne Business Park, Cambridge, and ARC was appointed as Asset and Property Manager of the joint venture entity. ARC rebated to ART the relevant proportion of fees earned by ARC, which applied to the Company's investment. On 6 December 2021, SPHL disposed of its subsidiary holding Phase 1000 of Cambourne Business Park, Cambridge (UK).

Total rebates for the year were £0.6 million (31 March 2021: £0.6 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 2022 is provided in note 19.

Notes to the financial statements (continued)

For the year ended 31 March 2022

24. Related party transactions (continued)

Alpha Global Property Securities Fund Pte. Ltd, a company registered in Singapore, owned directly by the partners of ARC, held 24,162,566 shares in the Company at 31 March 2022 (31 March 2021: 23,593,136). ARC did not hold any shares in the Company at 31 March 2022 (31 March 2021: nil).

The following, being partners of ARC, have interests in the following shares of the Company at 31 March 2022:

	31 March 2022 Number of shares held	31 March 2021 Number of shares held
Brian Frith	-	1,177,041
Phillip Rose	953,872	933,867
Brad Bauman	58,367	56,997

Post year end, Phillip Rose and Brad Bauman increased their shareholdings in ART to 959,854 and 58,779 ordinary shares, respectively.

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 £5,000 (31 March 2021: £5,350) in relation to directorial responsibilities on a number of the Company's subsidiary companies.

Melanie Torode was the Operations Director, followed by Managing Director and subsequently Non-Executive Director of Ocorian Administration (Guernsey) Limited (formerly Estera) ('Ocorian'), the Company's administrator and secretary, until 31 August 2021. During the year the Company paid Ocorian fees of £96,300 (31 March 2021: £88,400) and £22,800 was outstanding at year end (31 March 2021: nil).

25. 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 2022 £'000	31 March 2021 £'000
Financial assets at fair value through profit or loss		
Investments held at fair value	10,990	31
Foreign exchange forward contract	88	-
Loans advanced	495	467
Total financial assets at fair value through profit or loss	**11,573**	**498**
Financial assets at amortised cost		
Loans advanced	35,939	32,340
Collateral deposit	936	1,106
Trade and other receivables	13,711	36
Cash and cash equivalents	41,250	68,213
Total loans and receivables	**91,836**	**101,695**
Total financial assets	**103,409**	**102,193**
Financial liabilities at amortised cost		
Trade and other payables	(971)	(752)
Bank borrowings	(7,950)	(8,002)
Total financial liabilities	**(8,921)**	**(8,754)**

Notes to the financial statements (continued)

For the year ended 31 March 2022

25. Financial instruments risk exposure and management (continued)

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 2022 £'000	31 March 2021 £'000
Unrealised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Unrealised gain/(loss) on foreign exchange forward contract	16	(149)
Movement in fair value of investments	(302)	(108)
Movement in fair value of loans advanced	71	72
Undistributed investment income	263	-
Realised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Realised profit on foreign exchange forward contract	72	657
Dividend received from investments held at fair value	267	-
Net gains on financial assets and liabilities held at fair value through profit or loss	**387**	**472**

Net interest income can be summarised as follows:

	31 March 2022 £'000	31 March 2021 £'000
Bank interest receivable	4	4
Interest receivable on loans granted to third parties	4,528	4,278
Expected credit losses	(1,262)	-
Interest on bank borrowings	(198)	(207)
Net interest income	**3,072**	**4,075**

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 2022, trade and other receivables past due but not impaired amounted to nil (31 March 2021: 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 international banks such as Barclays PLC, BGL BNP Paribas, Lloyds PLC and RBS International.

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.

As at 31 March 2022, two loans in the portfolio have entered receivership: ART is closely working with stakeholders to maximise their capital recovery. The Company has considered the security on these loans (which are a combination of a first charge over the assets and personal guarantees) and have calculated an ECL on these two loans of approximately £2.2 million; the Group have also provided for an ECL on the remainder of the loans' portfolio for an additional £0.4 million: in total, the Group have provided for an ECL of £2.6 million in its consolidated accounts.

Notes to the financial statements (continued)

For the year ended 31 March 2022

25. Financial instruments risk exposure and management (continued)

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.

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

31 March 2022	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	971	-	-	-	**971**	**971**
Interest payable on bank borrowings	181	181	544	243	**1,149**	**29**
Bank borrowings	-	-	-	7,921	**7.921**	**7,921**
Total	**1,152**	**181**	**544**	**8,164**	**10,041**	**8,921**

31 March 2021	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	752	-	-	-	**752**	**752**
Interest payable on bank borrowings	183	183	549	428	**1,343**	**29**
Bank borrowings	-	-	-	7,973	**7,973**	**7,973**
Total	**935**	**183**	**549**	**8,401**	**10,068**	**8,754**

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.

On 31 March 2021 the Group had entered into a seven month contract to hedge €10.0 million of its Euro exposure in the balance sheet; this contract terminated on 1 November 2021 and, on the same date, the Group entered into a six month contract to hedge €11.0 million of its Euro exposure in the balance sheet; this contract matured on 29 April 2022. At that point, the Group entered into another six month contract to hedge €12.0 million of its Euro exposure in the balance sheet; this contract will mature on 31 October 2022.

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

Considering the year end carrying value of the joint venture in arbitration is nil, a sensitivity analysis of the Group exposure to Indian Rupees fluctuations is no longer relevant.

A strengthening of the Euro by 5 cents would increase the net assets by £1,106,000 (2021: £1,013,000). A weakening of the Euro by 5 cents would decrease net assets by £1,016,000 (2021: £931,000).

(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 20).

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 (2021: £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 (2021: £0.2 million increase).

Notes to the financial statements (continued)

For the year ended 31 March 2022

25. Financial instruments risk exposure and management (continued)

(c) Price risk

The Group has invested in participating redeemable preference shares in Europip and HLP; the value of the HLP shares is assessed half yearly and is subject to fluctuation; Europip is in liquidation and an estimated residual amount of approximately £30,000 is receivable by the Group.

The Group has invested in accumulation shares of CLIP, which is an open ended collective investment scheme. The value of the shares is assessed daily and is subject to fluctuation.

The Group has invested in the ordinary shares of GCP, SEQI and GABI, which are closed ended investment funds traded on the LSE so are subject to market fluctuation.

The Group has performed a sensitivity analysis on the values of the investments in CLIP, GCP, SEQI and GABI: if the share prices of these investments were to fall by 10% the resulting total investment value of these funds would be £9.9 million; if the share prices of these investments were to increase by 10% the resulting total investment value of these funds would be £12.1 million.

(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.
- The fair value of the CLIP investment, which can be traded daily as an open ended investment fund, is based upon daily valuations, provided by the issuer, of the net asset value of its accumulation shares.
- The fair values of the ART's investments in the SEQI, GCP and GABI shares, which are traded daily on the LSE, are based upon the market value of the shares at the balance sheet date.
- 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 26).
- The loans advanced 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 (£8.0 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.

26. 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.

Notes to the financial statements (continued)

For the year ended 31 March 2022

26. Fair value measurement (continued)

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 investments and loans advanced held at fair value and derivative contracts are valued quarterly.

The fair value of the CLIP investment is based upon the price provided by the issuer for the accumulation shares: this is calculated by reference to the net asset value of the investment. This net asset value is based on observable inputs and therefore is deemed to be a level 2 financial asset.

The fair value of the investments in the ordinary shares of GCP, SEQI and GABI, which are traded on the LSE, is based upon the mid price of the ordinary shares at the balance sheet date

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 2022 Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Non-current				
Investment property (note 13)	-	-	15,984	**14,918**
Loans advanced	-	-	495	**467**
Current				
Investments held at fair value (note 15)	5,696	5,263	31	**10,990**
Foreign exchange forward contract	-	88	-	**88**

31 March 2021 Assets and liabilities measured at fair value	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Non-current				
Investment property (note 13)	-	-	14,918	**14,918**
Investments held at fair value (note 15)	-	-	31	**31**
Loans advanced	-	-	467	**467**

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 2022 and prior year, can be summarised as follows:

	Loans advanced	Investment property and asset held for sale	Investments held at fair value	Total
	£'000	£'000	£'000	£'000
At 1 April 2021	**467**	**14,918**	**31**	**15,416**
Additions	-	-	10,998	10,998
Subsequent capital expenditure after acquisition	-	-	-	-
Disposals	-	-	-	-
Redemptions	-	-	-	-
Fair value adjustment	28	1,195	(39)	1,184
Effect of foreign exchange	-	(129)	-	(129)
At 31 March 2022	**495**	**15,984**	**10,990**	**27,469**

Notes to the financial statements (continued)

For the year ended 31 March 2022

26. 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 2020	**1,263**	**23,454**	**139**	**24,856**
Additions	-	-	-	-
Subsequent capital expenditure after acquisition	-	-	-	-
Disposals	-	(8,065)	-	(8,065)
Redemptions	(885)	-	-	(885)
Fair value adjustment	89	99	(108)	80
Effect of foreign exchange	-	(570)	-	(570)
At 31 March 2021	**467**	**14,918**	**31**	**15,416**

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 2022 and prior year.

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

In the prior year, 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). This paragraph has been removed by all valuers in their valuation reports as at 31 March 2022.

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

31 March 2022 - Hamburg (Werner-Siemens-Straße), Germany

Class of investment property	Carrying amount / fair value	Area	Valuation technique	Significant unobservable inputs	Range/Value
	'000	(square meters)			
Europe	€18,200 (£15,359)	11.8	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€67.4
				Discount rate	4.90%

Sensitivity analysis for the 31 March 2022 valuation of the Hamburg investment property:

Significant unobservable inputs	Change applied	Fair value change	Change applied	Fair value change
		€'000		€'000
ERV	-10%	-€1,800	+10%	+€1,800
Discount rate	-1%	+€1,500	+1%	-€1,300

31 March 2021 - Hamburg (Werner-Siemens-Straße), Germany

Class of investment property	Carrying amount / fair value	Area	Valuation technique	Significant unobservable inputs	Range/Value
	'000	(square meters)			
Europe	€16,800 (£14,298)	11.8	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€61.2
				Discount rate	5.00%

Notes to the financial statements (continued)

For the year ended 31 March 2022

26. Financial instruments risk exposure and management (continued)

31 March 2022 – Liverpool, UK

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
UK	£625	475	Comparable transactions analysis	Comparable evidence	Not applicable

31 March 2021 – Liverpool, UK

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Range/Value
UK	£620	475	Comparable transactions analysis	Comparable evidence	Not applicable

No sensitivity analysis has been provided for the Liverpool property since immaterial to the Group.

Directors and Company information

Directors
William Simpson (Chairman)
Jeff Chowdhry
Peter Griffin
Phillip Rose
Melanie Torode

Registered office
Floor 2, Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Investment Manager
Alpha Real Capital LLP
Level 6, 338 Euston Road
London NW1 3BG

Administrator and secretary
Ocorian Administration (Guernsey) Limited
Floor 2, Trafalgar Court
Les Banques, St Peter Port
Guernsey GY1 4LY

Broker
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Independent valuers in the UK
GVA
3 Brindley Place
Birmingham B1 2JB

Savills
Ground Floor, City Point
12 King Street
Leeds LS1 2HL

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Independent valuers in Spain
Savills Aguirre Newman
Paseo de la Castellana, 81
Madrid, 28046
Spain

Independent valuers in Germany
Cushman & Wakefield
Rathenauplatz, 1
Frankfurt, 60313
Germany

Independent Auditor
BDO Limited
Place du Pré, Rue du Pré
St Peter Port
Guernsey GY1 3LL

Tax advisors in Europe
KPMG LLP
15 Canada Square
London E14 5GL

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Ernst & Young LLP
1 More London Riverside
London SE1 2AF

Legal advisors in Guernsey
Carey Olsen
PO Box 98, Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

Legal advisors in the UK
Norton Rose
3 More London Riverside
London SE1 2AQ

Legal advisors in India
AZB & Partners
Plot A-8 Sector 4
NOIDA 201 301
India

Legal advisors in Spain
Ashurst LLP
Alcalá, 44
Madrid, 28014
Spain

Registrar
Computershare Investor Services
(Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

Shareholder information

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

www.alpharealtrustlimited.com

Dividends

Ordinary dividends are declared and paid quarterly. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for this purpose. Mandates may be obtained from the Company's Registrar. Where dividends are paid directly to shareholders' bank accounts, dividend vouchers are sent directly to shareholders' registered addresses.

Shareholders who have not previously elected to receive scrip may complete a Scrip Mandate Form, which can be obtained from the Company's Registrar.

Share price

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

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.

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	24 Jun 2022	Quarter ended 31 Mar 2022	23 Jun 2022	24 Jun 2022	5 Jul 2022	19 Jul 2022	20 Jul 2022
Annual General Meeting	8 Sep 2022						
Trading update statement (Quarter 1)	16 Sep 2022	Quarter ending 30 Jun 2022	29 Sep 2022	30 Sep 2022	11 Oct 2022	25 Oct 2022	26 Oct 2022
Half year report	25 Nov 2022	Quarter ending 30 Sep 2022	8 Dec 2022	9 Dec 2022	20 Dec 2022	5 Jan 2023	6 Jan 2023

Alpha Real Trust

www.alpharealtrustlimited.com

Design: Ottley Design Company, London. 020 7193 7950 www.ottleydesign.co.uk

Alpha Real Trust