Home REIT plc

Annual Report — For the year ended 31 August 2022

Overview

Home REIT plc ("the Company") and its subsidiaries (together the "Group")

The board of non-executive directors of Home REIT plc (ticker: HOME) (the "Board" or the "Directors") reports its annual results for the year ended 31 August 2022 ("FY22").

The Group had the investment objective in the period to seek to contribute responsibly to the alleviation of homelessness in the UK, deliver tangible social impact. This was to be achieved through targeting inflation-protected income and capital returns, by funding the acquisition and creation of a diversified portfolio of high-quality, well-located accommodation across the UK. On 21 August 2023, the Amended Investment Policy (defined as the investment policy approved by shareholders on 21 August 2023) was approved by shareholder resolution, which is summarised on page 12. On 16 September 2024, shareholders approved the New Investment Policy for the Managed Wind-Down of the Group.

The Group, a real estate investment trust ("REIT"), is listed on the Official List of the Financial Conduct Authority and was admitted to trading on the premium segment of the main market of the London Stock Exchange on 12 October 2020. As the Group did not publish its annual financial report within four months of the end of its financial year (as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rule 4.1.3) the listing of the Company's ordinary shares (each a "Share" and together, the "Shares") was suspended on 3 January 2023.

As non-executive directors, the Board relies upon information reported to it by the investment adviser, alternative investment fund manager ("AIFM") and other external parties including information regarding the quality of the Group's assets and tenants. Subsequent to the period end, material information has come to light which is in contradiction to the reporting provided to the Board during the period. The Directors have provided as much detail as they are able to within this Annual Report in order to provide a true and fair view of the financial statements, however in preparing the financial statements a number of judgements/assumptions have had to be made by the Directors, the details of which are included in Note 3 to the Group's consolidated financial statements (the "Consolidated Financial Statements").

The Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing. The Company has issued a pre-action letter of claim to Alvarium Home REIT Advisors Limited ("AHRA") (in liquidation), its former Investment Adviser. Shortly before issuance of the pre-action letter of claim, the Company was made aware that AHRA had appointed joint liquidators for the purpose of winding up the company. Notwithstanding this event, it remains important that all means of potential financial recovery are fully considered and that any wrongdoing is thoroughly investigated. The Company has also issued pre-action letters of claim to Alvarium Fund Managers (UK) Limited (its former AIFM) ("Alvarium FM") and AITi RE Limited ("AITi RE"), AHRA's former principal by virtue of an Authorised Representative Agreement. The Board cannot comment any further at this stage, as to do so may prejudice the Company's position in any potential proceedings. Any relevant announcements in this regard will be made to the market at the appropriate time.

Contents

Introduction and Highlights

This Annual Report covers the results for the year ended 31 August 2022 ("FY22") and the background that is relevant for shareholders to review since the end of FY22. The Group is due to publish its results for the year ended 31 August 2023 ("FY23") during the fourth quarter 2024.

The FY22 audited accounts had initially been delayed, following the publication of a report and allegations from third parties, to allow the Group's auditor, BDO LLP ("BDO"), to undertake an enhanced set of audit procedures in respect of FY22, and for the Board to instruct Alvarez & Marsal Disputes and Investigations LLP ("A&M") to conduct an investigation into allegations of wrongdoing. Without waiver of legal privilege, the key findings of this report, including the arrangements for refurbishment of properties, settlement of rent arrears and arrangements with tenants which had not been brought to the Board's attention by AHRA, (in addition to challenges raised by BDO) caused the Board to review the accounting treatment for acquisitions and revenue recognition and determine that revised accounting policies were required to appropriately account for the substance of historical acquisitions and lease contracts (refer to Notes 2, 3 and 4 to the Consolidated Financial Statements).

The Board determined it was necessary to apply the revised accounting policies back to inception, review all historical acquisition and lease documentation; instruct third parties to undertake an internal inspection programme to determine the condition of the properties; and appoint Jones Lang LaSalle Limited ("JLL") to undertake valuations of the Group's entire property portfolio, on the basis of fair value as at 31 August 2022. The application of revised accounting policies back to inception has resulted in the restatement of the 2021 comparatives (for the period 19 August 2020 to 31 August 2021) "FY21" in these accounts. Further details are provided in Note 4 to the Consolidated Financial Statements.

A summary of key events from Regulatory News Services ("RNS") announcements is included in Appendix 1. There is a Glossary of Defined Terms on pages 155 to 159.

Since the year end, there has been a change to the investment management of the Group:

- During the FY21 and FY22 period, AHRA was the appointed Investment Adviser and Alvarium FM was the appointed AIFM.
- AEW UK Investment Management LLP ("AEW" or the "Investment Manager") was subsequently appointed Investment Manager and AIFM on 21 August 2023 and as such was not responsible for managing the performance of the Group in line with the investment policy in place from IPO until 21 August 2023 (the "Original Investment Policy") during FY22.

Financial overview

- The Group acquired 1,528 investment properties for £597.4 million (including purchase costs) during the year (2021: 711 for £312.8 million), increasing the Group's portfolio to 2,239 properties in total.
- The portfolio was independently valued at £414.3 million as at 31 August 2022 (2021: £327.9 million). The properties have been valued on an individual basis. No portfolio premium has been applied.
- Decrease in fair value of properties of £452.9 million, representing 49.8% of the historical acquisition costs of £910.2 million (including purchase costs) (2021: increase of £14.0 million, 4.5% of the historical acquisition costs of £312.8 million).
- 39.1% of the portfolio (by number of properties, 46.3% by value) was valued on a vacant possession basis ("MV-VP"). JLL valued properties on a MV-VP basis when the property condition was judged to be very poor or worse or when a tenant was judged to be in poor financial condition or worse.
- The Group raised gross proceeds of £350 million in an oversubscribed follow-on equity issue in September 2021, followed by further gross proceeds of £263 million in an oversubscribed follow-on equity issue in May 2022.
- In addition to the Group's long term 12-year debt facility of £120 million, a further 15-year debt facility of £130 million was secured with Scottish Widows Limited ("Scottish Widows" or the "Lender") at an all-in fixed rate of 2.53% per annum for the term in December 2021.
- The Loan-to-Value ratio ("LTV") at 31 August 2022 was 60.3% (excluding cash held in escrow pending delivery of security acceptable to the Lender) compared to the Group's borrowing policy cap of 35% and loan covenants of 50%.
- The Group held unrestricted cash balances totalling £74.5 million at the year end (2021: £6.2 million).
- Loss before tax for the year of £474.8 million (for the period ended 31 August 2021: profit before tax of £16.1 million).
- Dividends paid in respect of the year totalling 5.50 pence per Share (2021: 2.5 pence per Share).
- 57.5% decrease in net asset value ("NAV") per Share to 43.76 pence as at 31 August 2022 (2021: 103.03 pence), primarily resulting from the decrease in the fair value of investment property reflecting the condition of the assets and the re-assessment of tenant covenant strength.
- The NAV total return for the year of -52.7% since 31 August 2021 (2021: 4.7%).

Portfolio and operating overview

- 2,239 properties as at 31 August 2022 (31 August 2021: 711 properties).
- The condition of the properties held as at 31 August 2022 have been assessed by JLL or by other parties engaged by the Group such as Vibrant Energy Matters Ltd ("Vibrant") whose reports were made available to JLL. Of the 2,239 properties 82.3% were internally inspected (from August 2023 to May 2024) and these have been assessed as 0.1% very good, 9.0% good, 64.0% fair, 20.0% poor and 6.9% very poor. Of those properties not inspected, 68% have been sold subsequent to 31 August 2022.
- 7.7% of properties were deemed unhabitable as at 31 August 2022 (31 August 2021: 7.3%) which includes the properties deemed as very poor by third party inspections as well as information provided by tenants and AEW's asset management team.
- The Group's portfolio was let to 29 different registered charities, community interest companies and other regulated organisations. As at 31 August 2022, the Directors consider that 17 of these tenants are considered to be of weak covenant strength, with one tenant in administration.
- 100% of the income was index-linked and subject to an annual collar and cap of 1% and 4%, respectively.
- The majority of the trade debtors outstanding at 31 August 2022 were subsequently settled, some in a non-traditional manner which is described more fully in Notes 3, 5 and 11 of the Consolidated Financial Statements. The remaining £1.9 million was fully provided as at 31 August 2022.

Post year end events

Investment Adviser and AIFM

On 4 January 2023, the Company announced that Alvarium RE Limited (now called AITi RE Limited) had sold its wholly-owned subsidiary, AHRA, to AHRA's management in exchange for a promissory note which was effective on 30 December 2022.

On 15 March 2023, the Company agreed with AHRA to terminate the Investment Advisory Agreement dated 22 September 2020 (the "IAA") (which governed the relationship between the Company and AHRA) with effect from 30 June 2023. On 22 May 2023, the Company appointed AEW to provide property advisory services and announced its intent to engage AEW as Investment Manager and AIFM after receipt of Financial Conduct Authority ("FCA") and shareholder approval for an amended investment policy.

On 21 August 2023, the Company terminated the Investment Management Agreement (the "IMA") (which governed the relationship between the Company and Alvarium FM) and Alvarium FM ceased to act as AIFM following shareholder approval of the Amended Investment Policy. The same day the Company formally appointed AEW as Investment Manager and AIFM.

Director Changes

On 18 January 2024, the Company announced the appointment of Michael O'Donnell as an independent non-executive director succeeding Lynne Fennah as independent non-executive chair with immediate effect.

On 2 April 2024, the Company announced the appointment of Peter Williams as senior independent non-executive director with immediate effect and Management Engagement Committee Chair elect.

On 7 June 2024, the Company announced the appointment of Rod Day as an independent non-executive director with immediate effect and Audit Committee Chair elect.

Dividends

On 12 December 2022, the Company declared an interim dividend of 1.38 pence per share in respect of the period from 1 June 2022 to 31 August 2022, which was paid on 20 January 2023 to shareholders on the register as at 22 December 2022. This dividend was paid as a property income distribution ("PID").

On 16 February 2023, the Board announced that except for any distributions that would be required to maintain REIT status, that it has ceased paying any further dividends until further notice.

Acquisitions and disposals

From 1 September 2022 to 30 November 2022, the Group acquired 232 new assets totalling £104.1 million (including purchase costs) of which £5.9 million related to certain works due to be completed by the vendor ("Seller's Works").

From 4 August 2023 to 10 October 2024, the Group exchanged on the sale of 1,491 properties for gross sales proceeds of £216.5 million, of which 1,228 properties had completed with gross sales proceeds of £169.7 million. Investment properties which were valued at £220.1 million in the 31 August 2022 Consolidated Statement of Financial Position were exchanged for £195.2 million. Of the proceeds received on completions, £120.1 million was applied against the outstanding loan balances. As of 10 October 2024, 263 properties have exchanged but not completed with a total gross sales value of £46.8 million.

Property Valuation

The investment properties held at 31 August 2023 have been valued as at 31 August 2023 by JLL with a fair value of £412.7 million.

Restricted cash

Of the cash held in lockbox accounts as at 31 August 2022, £34.2 million of cash was released to the Group after Home Holdings 2 Limited (a subsidiary of the Company) provided approved security to the Lender. The balance of £38.9 million was never released (appropriate collateral was never provided) with £30.0 million applied against the outstanding borrowings in April 2023 and the remaining balance of £8.9 million applied against outstanding borrowings in December 2023.

Cash held by solicitors as at 31 August 2022 of £18.3 million was used to fund a portion of the purchase price of the assets acquired as discussed above.

Of the retentions held by solicitors, £5.2 million has been released to the Company since 31 August 2022.

Viceroy Research Report and Subsequent Appointment of A&M

On 23 November 2022, the Company acknowledged that Viceroy Research LLP ("Viceroy Research") had issued a short-seller report dated 23 November 2022 (the "Viceroy Research Report"). On 30 November 2022, the Company published a detailed rebuttal, which was supported by a full verification process conducted by Stephenson Harwood LLP, the Company's primary legal advisers at the time, based on formal representations from AHRA and Alvarium FM. Also on 30 November 2022, Viceroy Research issued a response to the rebuttal.

In late December 2022, the Board received information which resulted in the Board considering it appropriate to instruct A&M to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research Report and the response thereto issued by the Company. On 5 May 2023, A&M delivered to the Company a detailed report. Without waiver of privilege, the key findings of the report were:

- arrangements with the Group's corporate tenants and vendors relating to the cost of refurbishment of properties were not brought to the attention of the Board by AHRA, so that the Board was unable to consider whether a release of a vendor's liabilities for refurbishment of properties was appropriate. These arrangements included a representative of AHRA, without the knowledge or authority of the Board, entering into a settlement agreement on 8 December 2022 between the Group and various property vendors (the "Aggregators") whereby the Company would pay £0.7 million and purportedly waive any refurbishment claims against the Aggregators in relation to 488 properties held by the Group.
- the Board had not approved or been provided with information regarding alternative arrangements to settle outstanding rent arrears (as discussed in Notes 3, 5 and 11 to the Consolidated Financial Statements).
- there was limited evidence of detailed ongoing monitoring of tenants being undertaken by AHRA;
- AHRA provided inaccurate information about occupancy rates to The Good Economy Partnership Limited ("The Good Economy"), who had been commissioned by the Company to produce an independent report on the Group's performance and social impact on an annual basis;
- certain connections between tenants existed that were not disclosed to the Board; and
- there existed certain undisclosed potential outside business interests and undeclared potential conflicts of interest between certain persons associated with AHRA and third parties.

Tenant matters and lease amendments

On 29 September 2022, AHRA entered into deeds of variation on behalf of the Group with N-Trust Homes CIC and Select Social Housing CIC (without Board knowledge) such that all leases with both tenants received a rent-free period with retroactive effect from 1 March 2022 and extending eighteen months to 31 August 2023 in exchange for changing the lease extension agreement from five years to ten years.

On 4 October 2022, AHRA entered into a deed of variation on behalf of the Group with ICDE Homes CIC (without Board knowledge) such that all leases with ICDE Homes CIC received a rent-free period with retroactive effect from 1 March 2022 and extending eighteen months to 31 August 2023 in exchange for changing the lease extension agreement from five years to ten years.

Since 31 August 2022, a number of tenants have surrendered leases or gone into creditors voluntary liquidation. Of leases associated with the tenants in place on the 2,239 properties owned by the Group on 31 August 2022, as at the date of these accounts, 369 are still in in place, 452 properties have been turned over to a property manager resulting in the Group having direct leases with the occupants, 349 are re-tenanted, and 1,069 have been sold.

Other Adviser Updates

On 29 October 2022, the Company appointed Jefferies International Limited as joint broker. The agreement with Jefferies International Limited was terminated on 1 February 2023. As described more fully in Note 19 to the Consolidated Financial Statements, Alvarium Securities resigned on 8 February 2023.

On 5 July 2023, the Company appointed Liberum Capital Limited ("Liberum") (now Panmure Liberum Capital Limited) as Capital Markets Adviser during the period in which the Company's shares are suspended from trading and will act as the Corporate Broker to the Company commencing on the date at which the Company's Shares are re-admitted to listing on the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange.

On 13 February 2023, the Company appointed Smith Square Partners LLP ("SSP") as financial adviser and the relationship was terminated on 24 August 2023 with effect from 24 November 2023.

On 18 January 2023, the Company announced that AHRA had engaged sector specialist, Simpact Group, to perform a detailed review of the Group's portfolio and to monitor and assist with managing the Group's tenants, including rent collection and recovery of arrears. The contract was subsequently assigned to the Company from 1 July 2023 and the engagement was terminated with effect from 31 October 2023.

Lender Discussions

As a result of the property sales discussed above and application of lockbox amounts against the loan balance, as of the latest payment on 25 September 2024, the outstanding loan balances totalled £72.0 million.

On 19 June 2023 Scottish Widows imposed a Deferred Fee of 0.5% of the aggregate amounts outstanding on the two loans at each of 31 August 2023 and 30 November 2023, payable on the full and final repayment of the loan. On 4 December 2023 Scottish Widows imposed a further Deferred Fee effective from 30 November 2023 being the equivalent of 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis, payable at the earlier of 28 June 2024 or the full and final repayment of the loans. On 2 July 2024, the Deferred Fee was increased from 5% to 7% with effect from 1 July 2024 until the full repayment of the loan. The Lender expects the two loans and all contractual interest and Deferred Fees (which are estimated to be £9.1 million in December 2024) to be fully repaid no later than 31 December 2024.

Potential Litigation/FCA Investigation

A pre-action letter of claim has been sent to the Company by Harcus Parker Limited ("Harcus Parker") on behalf of certain shareholders of the Company. On 5 March 2024, the Company announced that it intends to bring legal proceedings against those parties it considers are responsible for wrongdoing. On 12 April 2024, the Company issued pre-action letters of claim to Alvarium FM and AITi RE. On 29 May 2024, the Company issued a pre-action letter of claim to AHRA.

On 13 February 2024, the Company announced that it had been notified by the FCA of its commencement of an investigation into the Company covering the period from 22 September 2020 to 3 January 2023.

Alternative performance measures

The Group presented various European Public Real Estate Association ("EPRA") Performance Measures and other Key Performance Indicators in the Management Report for the period ended 31 August 2021. Given the significant number and quantum of non-recurring adjustments recorded in these 2022 financial statements, the Board does not consider that such performance measurements will benefit the user of these financial statements and accordingly, we are not presenting any EPRA Performance Measures in these Report and Accounts. The Board will, however, continue to keep the presentation of EPRA measurements under review.

Strategic report

Chair's statement

Dear shareholder,

As previously announced, the Group has faced unprecedented challenges including:

- investigations into allegations of wrongdoing;
- substantial tenant arrears;
- tenant liquidations;
- the termination of AHRA as the Investment Adviser and Alvarium FM as the AIFM;
- suspension of its shares;
- a potential group action against the Company and the directors at the time that the shares were suspended;
- appointment of a new valuer;
- a comprehensive inspection programme;
- the commencement of an FCA investigation into the Company;
- a demand by the Group's Lender, Scottish Widows, for the repayment of its loans; and
- substantial delays to the publication of the Group's Annual Report.

There has been a substantial loss and decrease in NAV for the period, the principal causes of which are outlined in the post balance sheet activities and findings impacting reporting period results section below. I have set out below statements of fact, without waiver of legal privilege, and although this provides a true and fair view of the state of the Company and Group, I am unable to elaborate with further details as to do so may prejudice the Company's position in any potential proceedings.

Legal privilege includes confidential documents and communications between lawyers, clients, and/or third parties, which come into existence for the dominant purpose of being used in connection with actual or pending litigation or for the dominant purpose of seeking legal advice. Legal privilege creates an absolute right to protect and withhold inspection of such documents and communications.

Corporate Governance

The Company is an externally managed REIT and has no employees and only non-executive directors. The non-executive Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Group's business, strategy and development. In order to fulfil these obligations, the Board appointed Alvarium FM and AHRA to provide (amongst other things) investment management and advisory services.

The Board has substantial real estate, financial and commercial experience and has established appropriate committees (including Audit Committee and Management Engagement Committee), which meet on a regular basis. Further detail on the Group's governance is provided in the Corporate Governance Statement on page 51 and in Appendix 2.

The AIFM and the Investment Adviser

Alvarium FM was the appointed AIFM during the period, by way of the IMA. Alvarium FM was responsible, inter alia, for managing the assets of the Group in accordance with the Original Investment Policy and for ensuring that the Company complied with its Original Investment Policy. The Company and Alvarium FM appointed the Investment Adviser, AHRA, by way of the IAA to provide certain services in relation to the Group, including sourcing and advising on investments for acquisition, due diligence in relation to proposed investments and on-going tenant and property monitoring.

In January 2023, the Board instructed A&M to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research Report. On 5 May 2023, A&M delivered to the Company a detailed report. Without waiver of privilege, the key findings of this report were:

- arrangements with the Group's corporate tenants and vendors relating to the cost of refurbishment of properties were not brought to the attention of the Board by AHRA, so that the Board was unable to consider whether a release of a vendor's liabilities for refurbishment of properties was appropriate. This included a representative of AHRA, without the knowledge or authority of the Board, entering into a settlement agreement on 8 December 2022 between the Group and the Aggregators whereby the Group would pay £0.7 million and purportedly waive any refurbishment claims against the Aggregators in relation to 488 properties.
- the Board had not approved, or been provided with information regarding alternative arrangements to settle outstanding rent arrears;
- there was limited evidence of detailed ongoing monitoring of tenants being undertaken by AHRA;
- AHRA provided inaccurate information about occupancy rates to The Good Economy;
- certain connections between tenants existed that were not disclosed to the Board; and
- undisclosed potential outside business interests, and undeclared potential conflicts of interest as between certain persons associated with AHRA and third parties.

Due to information that came to light which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period, together with low rent collection and further evidence of material information being withheld from the Board, on 15 March 2023, the Board agreed with AHRA by way of letter of agreement that the Company was entitled to terminate the IAA on or before 30 June 2023. On 30 June 2023, the IAA was terminated. On 25 May 2023, the Company and Alvarium FM agreed by way of variation agreement, as further varied on 18 July 2023, that the IMA would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 21 August 2023, the Company terminated the IMA.

Contrary to AHRA's reporting to the Board, post period end investigations by AEW have determined the following:

- most of the properties acquired were not high-quality accommodation and most were acquired subject to Seller's Works obligations. Post period end, JLL, based on its own inspections and the work of Vibrant and others, has assessed the condition of 90.9% of properties as fair or worse (of those properties which were internally inspected);
- no reliable data existed for monitoring underlying occupancy. As at the date of inspection by Vibrant (from August 2023 onwards), of the 2,239 properties owned at 31 August 2022, 50.6% were considered occupied, 13.3% were considered unoccupied, 36.1% were inspected by a firm other than Vibrant (who made no comment on occupation) and 17.7% remain uninspected (of which 68.2% have been sold subsequent to year-end).
- no data existed for determining the monitoring of accommodation backed by exempt rent from local authorities; and
- the majority of tenants were poorly capitalised and lacked long-term operating track records, or the benefit of local authority support. In some instances, for example, single family homes, the rent burden under the original lease was considered unsustainable based on the location, lay-out, use and condition of the property.

The Company has now issued a pre-action letter of claim to its former Investment Adviser, AHRA. Shortly before issuance of the pre-action letter of claim, the Company was made aware that AHRA had appointed joint liquidators for the purpose of winding up the company. Notwithstanding this event, it remains important that all means of potential financial recovery are fully considered and that any wrongdoing is thoroughly investigated. The Company has also issued pre-action letters of claim to Alvarium FM (its former AIFM) and AITi RE. The Board cannot comment any further at this stage, as to do so may prejudice the Company's position in any potential proceedings.

Post Balance Sheet Activities and Findings Impacting Reporting Period Results

The following is a high-level summary of significant matters impacting financial results with further detail provided in the Management Report.

Accounting treatment and prior year adjustments

As a consequence of information that came to light post year end, the Board has revised its accounting treatment in respect of the treatment of acquisition of investment properties, rental property income and lease inducements. The revised accounting treatment is as a result of a review of all historical acquisition agreements (each an "SPA"), assessment of acquisition surveyor reports, verification against the current property inspection programme and review of the relationships between vendor and tenants. The revisions to the accounting policies are detailed in Note 2 to the Consolidated Financial Statements with Note 3 to the Consolidated Financial Statements providing further detail on the significant accounting judgements based on information available to the Group.

The revisions of accounting policies have resulted in prior period adjustments totalling £4.8 million in additional losses and reduction in NAV as detailed in Note 4 to the Consolidated Financial Statements with further information provided in the Management Report beginning on page 15.

Quality of assets

Although the Board was not required, and indeed was not asked, to approve the proposed acquisitions, prospective property acquisitions were presented to the Board (and to valuers and insurers) as being high-quality properties suitable for homeless accommodation in line with the Original Investment Policy. After detailed reviews of the SPAs by AEW, the Board now understands that most properties were acquired subject to a vendor obligation to complete Seller's Works. Acquiring properties requiring significant improvements/redevelopment required Board approval as a variation from the Original Investment Policy, which was never requested and therefore never granted. Under the standard SPA, the vendor had a contractual requirement to make the necessary improvements within a specified period of time. The contracts, however, generally provided limited recourse if the vendor did not complete the necessary improvements post-acquisition. Many vendors did not complete the works which resulted in the Company overpaying for properties due to their condition.

JLL has assessed the condition of the portfolio post period end, based on its external inspections and the findings of the comprehensive inspection programme carried out between August 2023 and May 2024. The condition of properties were classified as either very good, good, fair, poor or very poor (see Note 3 to the Consolidated Financial Statements). Of the 2,239 properties owned at 31 August 2022, 82.3% have been internally inspected with 90.9% of these having been assessed as fair or worse. This re-assessment of the quality of the assets has contributed to the reduction in valuation of the properties as at 31 August 2022.

Quality of tenants

In line with the Original Investment Policy, the Group had intended to acquire assets let or pre-let to tenants with robust financials and a proven long-term operating track record operating across a diverse range of homeless sub sectors and locations. Following further investigation by the Board and AEW, it has been determined that the majority of tenants lacked long-term operating track records and were not financially robust. They were operating assets, many of which were of a condition which meant they could not achieve approval to obtain exempt rents, and this made paying rent very difficult without support. The Company and the Directors were not aware, and indeed had not been informed, of this at the relevant time. The Board understood at the time that AHRA had close links to the local authorities and it has since become apparent that this was not the case.

As at 31 August 2022, one tenant representing less than 3% of the annual rent of the Group was in voluntary administration, and the leases were subsequently assigned to another tenant post year end. Whilst all but £1.9 million of the £7.8 million arrears at 31 August 2022 were recovered post year end (see Note 11 to the Consolidated Financial Statements), 17 of the 29 tenants are considered to be of weak covenant strength representing 68.3% of properties and 66.6% of annual contracted rent as at 31 August 2022. One tenant had entered administration as at 31 August 2022 and a further 11 tenants entered into voluntary administration post period end, representing 53.9% of properties and 62.1% of annual contracted rent as at 31 August 2022. The poor financial condition of certain tenants also contributed to the reduction in the value of the property valuation (see further commentary below).

Portfolio Valuation

JLL has independently valued the Group's portfolio in accordance with the RICS Valuation – Professional Standards. As at 31 August 2022, the Group's portfolio had a market value of £414.3 million, representing 45.5% of the historical acquisition costs of £910.2 million (including purchase costs). The reduction in the property valuation is principally a result of a re-assessment of the quality of the assets and the covenant strength of the tenants. The assessment of the condition of the properties and the covenant strength of tenants as at 31 August 2022 resulted in 39.1% (by number of properties, 46.3% by value) of the portfolio being valued on a vacant possession basis for the 31 August 2022 valuation. Where a valuation has continued to be prepared on an investment basis, limitations on the duration of the income streams have been applied to account for the covenant strengths of the tenants, and the high rent levels demanded under the leases, see further detail in Note 9 to the Consolidated Financial Statements.

The 2021 valuation prepared by Knight Frank LLP ("Knight Frank") valued each asset on the investment approach. Having retrospectively considered the substance of the transactions and considered the level of works required, the Directors now consider that the substance of some transactions was that of a forward funding arrangement. As described more fully in Note 9 to the Consolidated Financial Statements, the Directors have deducted the estimate of prepaid Seller's Works from the fair value of the Knight Frank valuation. Additionally, as discussed in Notes 3 and 4 to the Consolidated Financial Statements, the Directors also consider that the substance of entering into simultaneous acquisition and leasing transactions resulted in the indirect payment of lease inducements and the accounting should be corrected accordingly. These amounts have also been deducted from the value of the Knight Frank valuation, including adjustment for associated amortisation. The Directors have also considered whether the 31 August 2021 Knight Frank valuation required additional adjustments and concluded that no further adjustments were required.

Equity Issues

The Group commenced business operations on 12 October 2020 when the Shares of the Company were admitted to trading on the premium segment of the main market of the London Stock Exchange, with gross proceeds of £240 million being raised in the Group's IPO, followed by equity issues in September 2021 raising gross proceeds of £350 million, and in May 2022 raising gross proceeds of £263 million from a broad range of investors. The total gross proceeds raised since IPO were £853 million.

Financial Results

Net asset value

The NAV has increased from £247.9 million (restated as at 31 August 2021) to £345.9 million as at 31 August 2022. Once the net proceeds from the share issuance during the period of £601.2 million are considered, this is a decrease in NAV of £503.2 million from the restated August 2021 NAV. This decline is principally due to:

i. decrease in fair value of investment property of £452.9 million (Note 9 to the Consolidated Financial Statements), reflecting the condition of the assets and the assessment of tenant covenant strength as detailed above;

ii. write off of Seller's Works of £11.9 million in the period ended 31 August 2022;

iii. an impairment charge on the value of lease inducements of £28.3 million;

The NAV per Share has decreased to 43.76 pence as at 31 August 2022, a decrease of 57.5% from the 103.03 pence as at 31 August 2021 (restated).

Earnings

The loss before tax of the Group for the period to 31 August 2022 was £474.8 million (restated period to 31 August 2021: £16.1 million profit before tax).

Dividends

The Group paid its sixth dividend of 1.38 pence per Share on 9 September 2022. A further interim dividend of 1.38 pence per Share was declared on 12 December 2022 and paid on 20 January 2023 in respect of the quarter ended 31 August 2022. Dividends declared in relation to the financial year to 31 August 2022 equalled 5.50 pence per Share, in line with initial targets.

The Board approved these distributions based on draft financial statements and forecasts provided by AHRA and to ensure it distributed Property Income, as defined, in order to comply with REIT regulations. In addition, the Board considered that it had the substantial Special Distributable Reserve (Note 17 to the Consolidated Financial Statements) which could cover any imprecision in AHRA's estimates.

The Board has since reviewed the decision to declare the interim dividend declared on 12 December 2022; had the Board been provided with all material information known by AHRA and Alvarium FM at the time including the poor rent collection and the deteriorating financial position of the tenants, the Directors would not have declared this dividend.

Financing

On 1 December 2021, the Group entered into a 15-year, interest only, £130 million loan agreement with Scottish Widows at an all-in fixed rate of 2.53% per annum, expiring in December 2036. The loan was fully drawn down on 28 February 2022, but full use was subject to meeting conditions on assigning collateral.

Together with the 12-year loan agreement with Scottish Widows entered into in December 2020 for £120 million at an all-in rate of 2.07% per annum for the duration of the loan term, due for repayment in December 2032, these facility arrangements were intended to provide protection against the prevailing environment of increasing interest rates, given the long-term fixed rate of interest.

The Group has repaid post period end a total of £178.0 million as at the date of these accounts comprising £159.0 million of cash and £19.0 million in Net Break Gains.

Certain financial penalties have been imposed by the Lender in respect of the loan facilities to incentivise repayment of the loans as soon as possible. After reporting loan covenant breaches in January 2023, the Lender extended the initial waiver letter dated 29 January 2023 and has issued new waiver letters prior to the expiry of each previous waiver period. The current waiver letter relates to matters including financial covenants, an adverse change in the position of the Company and its subsidiaries, a failure to deliver audited accounts and other information, the suspension of the shares of the Company on the London Stock Exchange and the tax status of the Company. The current waiver letter is scheduled to expire 31 October 2024.

The Group is incurring Deferred Fees, which are estimated to total £9.1 million at repayment in December 2024, payable on full and final repayment of the loans of:

- 0.5% of the aggregate amounts outstanding on the two loans at each of, 31 August 2023 and 30 November 2023; and
- 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis from 30 November 2023 and increased to 7% from 1 July 2024 until the loan is fully repaid.

Scottish Widows has advised that its objective is for repayment of the loan balance prior to 31 December 2024.

Limitations of scope in audit opinion

The auditors were unable to express an opinion on the financial statements as a result of the limitations in scope arising from the challenges in assessing condition of the properties at acquisition, the treatment of receipts, the conditions being met around the release of retentions and the completeness of related party transactions and disclosures. Detail on these limitations, the areas of the financial statements affected and how these have been considered by the Directors is included in the report of the Audit Committee beginning on page 59.

Post-balance sheet matters

The post balance sheet events are detailed in Note 26 to the Consolidated Financial Statements and further detail provided in the Management Report from page 21.

Investment Manager asset management initiatives

Following a rigorous selection process, the Board appointed AEW as Property Adviser on 22 May 2023 and as Investment Manager on 21 August 2023 following shareholder approval of the Amended Investment Policy.

AEW as the Investment Manager continued its efforts to stabilise the financial position of the Group and rationalise the portfolio. Key initiatives are outlined below:

- As part of the stabilisation strategy AEW continues to undertake a comprehensive property condition review and data collection exercise of the property portfolio. Analysis of the underlying property condition is paramount to determine property suitability, capital expenditure requirements and income and capital return prospects;
- AEW has engaged in tenant-by-tenant restructuring negotiations to unlock access and information on the condition of the underlying properties. The primary focus has been on obtaining control of the portfolio with legal action being taken against selected non-performing tenants. The Company has progressed negotiations with a number of tenants to facilitate restructuring of leases and rationalisation of the portfolio;
- The inspection programme has been wound down with 82.3% of the portfolio internally inspected as at 31 May 2024 on the basis that the remaining properties have been difficult to access. Those properties may be inspected once they are back under control of the Group. Of those properties not inspected, 68.2% have been sold subsequent to 31 August 2022;
- The speed at which AEW can re-tenant properties had been hampered by the lack of information on the underlying properties and leases in place to non-performing tenants. As the inspection process is effectively completed, AEW expects the re-tenanting program can accelerate;

- AEW continues to engage, where possible, with providers of various forms of Social Use accommodation. Social Use includes real estate used to house vulnerable individuals including but not limited to: homeless, ex-service men and women, individuals fleeing domestic abuse, vulnerable women, prison leavers, asylum seekers, refugees, foster care leavers, care leavers, anyone experiencing substance misuse, mental illness, or disability;
- Rent collected on operating leases including arrears represents an average of 11% of the rent invoiced for the period 1 September 2023 to 31 August 2024. AEW continues to work with selected tenants on payment plans. It is anticipated that rent collection will fluctuate month on month in the near term as AEW continues to work on stabilising the portfolio and pursues legal action where necessary;
- AEW continues engagement with the Company's shareholders, which includes quarterly retail shareholder webinar and monthly updates distributed by RNS;
- Since August 2023 to 10 October 2024, the Group has completed on the sale of 1,219 properties and exchanged on a further 273 properties. The gross proceeds from properties sold and exchanged totals £216.7 million, which in aggregate is in line with the August 2023 draft valuation.

FCA investigation/Potential litigation

The Company announced on 13 February 2024 the commencement of an investigation by the FCA into the Company. The Company and the Directors will cooperate fully with the FCA in its work.

A pre-action letter has been sent to the Company by Harcus Parker on behalf of certain shareholders of the Company. No legal proceedings have been issued at this stage. The letter alleged that the Company, along with certain other parties, provided information to investors which was false, untrue and/or misleading. The Company has issued a comprehensive response to Harcus Parker and correspondence is continuing between the parties. The Company intends to vigorously defend itself in respect of the threatened litigation and has denied the allegations made against it.

The Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing. To that end, the Company has itself issued pre-action letters of claim to Alvarium FM, AITi RE and AHRA. The Company cannot comment further at this stage, as to do so may prejudice the Company's position in any potential proceedings.

Amended Investment Policy and Stabilisation Period

Shareholders approved the Amended Investment Policy on 21 August 2023. The Amended Investment Policy changes aimed to ensure the Group was able to continue to operate in the sector and preserve its longer-term social objective of helping to alleviate homelessness in the UK. The principal changes were:

- providing the flexibility to stabilise the Group's financial position, with a focus on maximising income and capital returns from the existing portfolio of assets;
- allowing the flexibility to explore demand for all residential uses in the Stabilisation Period (defined as the period per the Amended Investment Policy, beginning from 21 August 2023 and ending on 21 August 2025, or such later date (not being later than 21 August 2026) approved by the Board, during which the Company will have the objective of stabilising the Group's financial condition through initiatives to maximise income and capital returns by investing in a portfolio of UK residential real estate and from other Social Use occupier groups; and
- aligning the Amended Investment Policy with the demands and needs of the underlying occupants together with Local Authorities, Charities, Registered Providers and Housing Associations, particularly in respect of lease terms.

Directors

I was appointed to the Board on 18 January 2024, to succeed Lynne Fennah as Independent Non-Executive Chair. Peter Williams was appointed on 2 April 2024 as Senior Independent Non-Executive Director and as Management Engagement Committee Chair designate replacing Simon Moore in this role. Rod Day was appointed as Independent Non-Executive Director on 7 June 2024 and is the Audit Committee Chair designate. The Company has previously announced the intention of the four Directors in office at IPO to step down on publication of the accounts for the year ended 31 August 2022 and 31 August 2023.

Managed Wind-Down and New Investment Policy

On 5 February 2024, the Group announced that it had commenced a re-financing process to consider alternative finance options for the Company. On 17 June 2024, the Company announced that it had been unable to secure a re-financing of its existing debt facility on terms that it could recommend to shareholders, despite extensive and advanced discussions with a potential lender. The re-financing of the debt was a key component of the continued advancement of the stabilisation strategy discussed above and as adopted in August 2023. As the re-financing had not been possible, the Company also announced that it was considering a number of options both to re-pay the outstanding debt and provide an optimised resolution for shareholders, which may include a more extensive realisation strategy. The Board and AEW continued to engage with Scottish Widows which advised that its objective is for repayment of the loan balance in the short term and no later than 31 December 2024.

Subsequent to concluding that the re-financing was no longer viable, the Board conducted a full review of the stabilisation strategy and whilst it recognised that there is an opportunity to add value to the portfolio at a property level, it concluded that this strategy faced considerable challenges. These included a high fixed corporate cost base, required due to the REIT structure and as a result of the issues being dealt with by the Company at this time, and the requirement for capital expenditure to drive an increase in rental value. In addition, the Board was aware that the size of the vehicle following the repayment of debt may be considered too small by many investors when considering its future as a listed REIT.

As a result of these factors and having carefully considered the range of options available for the Company, the Board concluded that it was in the best interests of shareholders to propose a managed wind-down strategy for the Company pursuant to which the assets of the Group would be sold with the objectives of optimising remaining shareholder value and repaying the Group's loan balance (the "Managed Wind-Down"). The implementation of the proposed Managed Wind-Down required a further change to the Company's investment policy. Accordingly, on 16 September 2024, shareholders approved the New Investment Policy, which is intended to allow the Company to realise all the assets in its property portfolio in an orderly manner with the view to repaying borrowings and making timely returns of capital to shareholders whilst aiming to optimise the value of the Group's assets.

Full details of the New Investment Policy are on page 29.

Outlook and Approach to the Managed Wind-Down

It is expected that the Company, via AEW, will adopt a broad and managed approach to the disposal of assets, with a view to optimising value for shareholders. Although it will be necessary to realise a proportion of the property portfolio before 31 December 2024 to meet the requirements of Scottish Widows and repay the outstanding debt, sales will otherwise be structured and executed with the intention of achieving best value and minimising disruption to the underlying occupiers of the properties. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type and lease terms.

During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity. In addition, given the Company's originally stated objective of providing accommodation for the homeless, the realisation process will be managed in a way to minimise impact and disruption to underlying, vulnerable occupiers. In that respect, as previously announced, a larger than expected proportion of the portfolio is PRS rather than homeless accommodation backed by exempt rents from local authorities.

The Company will continue to provide regular updates during the Managed Wind-Down, however this, and the level of disclosure included, will be reviewed throughout the process in order to protect the Company's commercial interests and allow disposals to be completed in a manner that preserves shareholder value.

Return of capital to shareholders

It is the intention of the Board following the repayment of the Group's outstanding debt facilities that capital will be returned to shareholders upon the completion of the realisation strategy. However, shareholders should be aware that the ability of the Company to make distributions to shareholders will be constrained whilst the Company faces potential group litigation and an FCA investigation. At present, the Board is unable to assess properly its ability to make distributions under the applicable legal requirements. In addition, the Company expects to retain capital to meet corporate costs and allow it to pursue legal action against those it considers responsible for wrongdoing.

The most appropriate timing and mechanism to return capital to shareholders will be determined in due course.

Financial statements and restoration of listing

The audited results for the year ended 31 August 2023 have been prepared in parallel and, along with interim results for the periods to 28 February 2023 and 29 February 2024 respectively, are expected to be published during the fourth quarter. Following publication of all outstanding financial information, the Company will then be able to apply to the FCA for a restoration of its listing and the recommencement of trading on the London Stock Exchange.

Further details regarding the expected timetable for restoration of listing will be announced upon publication of the above financial information and the Company expects to engage with shareholders ahead of this important event.

The Board shares shareholders frustrations on the progress of the Company and despite substantial efforts to stabilise the business, the Company continues to face extensive financial and operational challenges. Against this backdrop and in light of the expected reduced size of the Company's portfolio, the Board concluded that the best course of action to optimise remaining shareholder value was the Managed Wind-Down. I would again like to thank shareholders for their ongoing patience and support as we strive to address, and seek redress for, the issues facing the Company.

Michael O'Donnell
Chair

10 October 2024

Management report

Introduction

AHRA was the appointed Investment Adviser and Alvarium FM was the appointed AIFM during the period.

Following approval by the shareholders of the Amended Investment Policy at the General Meeting held on 21 August 2023, AEW was appointed the Investment Manager and AIFM of the Company and as such is not responsible for the performance of the Group in the year to 31 August 2022.

The below detail is intended to provide stakeholders with an understanding of the key matters and key accounting treatment which has impacted these financial statements. The revised accounting policies are detailed in Note 2 to the Consolidated Financial Statements with Note 3 to the Consolidated Financial Statements providing further detail on the significant accounting judgements based on information available to the Group and Note 4 to the Consolidated Financial Statements detailing the prior period adjustments.

As per the IPO prospectus, the Board engaged AHRA and Alvarium FM to acquire a diversified portfolio of high-quality properties in accordance with the Original Investment Policy and investment restrictions with the following key investment considerations:

1. properties provide high-quality accommodation to homeless and vulnerable individuals in need of housing;
2. properties demonstrate strong residual land value characteristics;
3. properties are let or pre-let to robust tenants on long-term leases (typically 20 to 30 years to expiry or first break);
4. leases are 'triple net, full repairing and insuring leases'; and
5. rents are to be supported by Local Housing Allowance payments and rent reviews are inflation-linked or contain fixed uplifts.

Under the Original Investment Policy at IPO, the Company was to be dedicated to tackling homelessness in the UK targeting a wide range of sub-sectors within homelessness including, but not limited to, women fleeing domestic violence, people leaving prison, individuals suffering from mental health or drug and alcohol issues and foster care leavers. The Company would neither undertake any direct development activity nor assume any development risk. However, the Company could invest in fixed-price forward funded developments, provided they were pre-let to an acceptable tenant and full planning permission was in place, both at signing.

These characteristics were required in order to provide income security, valuation stability and low cost financing.

Investment Properties

Acquisition of properties

The Group acquired 1,528 properties during the period with a total of 2,239 properties held as at 31 August 2022. Each acquisition was supported by a valuation from Knight Frank.

Following AEW's review of all historical acquisition agreements, assessment of the building condition at acquisition and review of the relationships between vendors and tenants, a portion of the purchase price was allocated to Seller's Works and either a lease incentive asset (where a property was considered habitable at acquisition) or a debtor (where the property was considered unhabitable at acquisition). Further detail is provided in Notes 2, 3 and 4 to the Consolidated Financial Statements.

The below provides a reconciliation of the total acquisition cost from inception to 31 August 2022 of £910.2 million.

As at	31 August 2022 £ million	31 August 2021 £ million
Investment property (including purchase costs)	543.5	289.7
Prepaid Seller's Works recognised as receivable	19.0	4.8
Lease inducements where building is considered as habitable	32.0	16.7
Lease inducement where building is considered as unhabitable	2.9	1.6
Total acquisition cost (including purchase costs)	**597.4**	**312.8**

Seller's Works

Although the Board was not required, and indeed was not asked, to approve the proposed acquisitions, completed or prospective property acquisitions were presented to the Board (and subsequently to valuers and insurers) as being high-quality properties suitable for homeless accommodation in line with the Original Investment Policy. After detailed reviews of the SPAs by AEW, the Board now understands that most of the properties acquired were subject to an obligation for the vendor to complete Seller's Works within a specified period. The vendor was typically given between 6 and 12 months to complete the Seller's Works (the "Seller's Works Longstop Date" or "SWLD").

Under the standard SPAs, the Group had limited recourse against the vendor if it did not fulfil contractual obligations to improve the property post-acquisition.

Post year end, extensive review by AEW has identified that sufficient documentation was not always maintained or available, in terms of building survey or condition reports as at the date of acquisitions and as such the Board has made a number of assumptions and estimates in determining pre-paid Seller's Works. Further information is contained in Note 3 to the Consolidated Financial Statements.

As discussed in Note 11 to the Consolidated Financial Statements, the Group wrote-off £11.9 million in respect of 608 properties for the financial year ended 31 August 2022 and £3.7 million in respect of 211 properties for the period ended 31 August 2021 for which the vendor had not completed the Seller's Works by the SWLD and the Group had limited legal or financial recourse to enforce the vendor to complete the works.

Retentions

In some SPAs, a retention was required to be held by an independent party at the acquisition date to be released upon completion of the contractual obligations or at fixed dates in the future. The Group had not appropriately accounted for these amounts in the 2021 Annual Report and those accounts have been restated in the current year comparative Consolidated Financial Statements by establishing the retention as an asset which is reclassified into investment property, with a corresponding liability, as disclosed in Note 4 to the Consolidated Financial Statements. The entry is reversed upon either the satisfactory completion of the contractual obligation or at the fixed dates (if the only condition for release is the passage of time) or reversed upon receipt of the retention cash if the necessary condition for release was not met. This had no P&L impact in the current or prior period.

Property condition

The Group appointed Vibrant in August 2023 to undertake an internal property inspection programme and appointed JLL in July 2023 as the independent valuer. This comprehensive inspection programme has led to a significant re-assessment of the quality of the property assets. Of the 2,239 properties owned as at 31 August 2022 JLL externally inspected 2,170 properties, comprising 97.0% of the Group's property portfolio. Of these externally inspected properties, JLL internally inspected 195 properties. Vibrant, JLL or other third parties also undertook internal inspections on 1,843 properties from August 2023 to May 2024. Based on the results of the inspection programme, JLL has assessed the condition of the properties as 0.1% very good, 9.0% good, 64.0% fair, 20.0% poor and 6.9% very poor. Of the properties which were not inspected 270 properties have been sold, of which 228 have completed.

JLL has considered the quality of the assets in reaching its assessment of value, with properties considered unhabitable being valued on a vacant possession basis. Further, many properties were found to be in need of extensive renovation before being capable of occupation, or reconfiguration to provide an appropriate number of rooms to suit the local market. In such cases, the market value was adjusted downwards accordingly.

Property valuation

The Group's portfolio has been independently valued by JLL in accordance with the RICS Valuation Professional Standards. As at 31 August 2022, the Group's portfolio had a market value of £414.3 million representing 45.5% of the historical acquisition costs of £910.2 million (including purchase costs). The reduction in the property valuation is principally a result of a re-assessment of the quality of the assets and the covenant strength of the tenants, several of which have gone into liquidation post period end.

In determining the fair value as at 31 August 2022, JLL has used a combination of valuation bases, adopting an investment valuation for 60.9% of the portfolio and MV-VP value for 39.1% of the portfolio. In all cases, JLL has considered the rental value for the existing uses of the properties and Local Housing Allowance ("LHA") rates.

Whilst all properties within the portfolio were subject to a lease, the security of the unexpired term for these leases differs across the portfolio depending on the covenant strength of the tenant. For tenants with a weak covenant strength, or where a property was deemed unhabitable JLL disregarded the leases and valued the properties on the basis of MV-VP.

Where a valuation has been prepared on an investment basis, limitations on the duration of the income streams have been applied to account for the covenant strengths of the tenants, and the above-market rent levels demanded under the in-place leases. JLL capped the unexpired lease term at 5 years due to the lack of confidence in those tenants being able to fulfil their lease obligations. Furthermore, for those properties which are sublet to a tenant with a strong covenant, JLL ignored the primary in-place lease and instead capitalised the sublease passing rent for its remaining term (up to eight years). Where a property has a high passing rent in comparison to JLL's opinion of MV-VP, JLL capped the fair value at 150% of MV-VP.

The 2021 Knight Frank valuation valued each asset on the investment approach. Having retrospectively considered the substance of the transactions and considered the level of works required, the Directors now consider that the substance of some transactions was that of a forward funding arrangement. As described more fully in Note 9 to the Consolidated Financial Statements, the Directors have deducted the estimate of prepaid Seller's Works from the fair value of the Knight Frank valuation. Additionally, as discussed in Notes 3 and 4 to the Consolidated Financial Statements, the Directors also consider that the substance of entering into simultaneous acquisition and leasing transactions resulted in the indirect payment of lease inducements and the accounting should be corrected accordingly. These amounts have also been deducted from the value of the Knight Frank valuation, including adjustment for associated amortisation. The Directors have also considered whether the 31 August 2021 Knight Frank valuation required additional adjustments and concluded that no further adjustments were required.

The below table shows the breakdown of properties and value by valuation approach.

	31 August 2022		31 August 2021	
As at	Number of properties	Fair Value £ millions	Number of properties	Fair Value £ millions
Investment valuation approach	1,363	222.4	711	327.9
Market value – vacant possession approach	876	191.9	–	–
Total	2,239	414.3	711	327.9

As at 31 August 2022, 172 properties of the 2,239 were considered unhabitable (2021: 52 of 711 properties). The annual contracted rent on and fair value of these properties as at 31 August 2022 was £4.6 million and £27.2 million (2021: £1.6 million and £28.5 million respectively). Subsequent to 31 August 2022, 157 properties which were considered unhabitable at 31 August 2022 were sold, of which 142 have completed.

Tenants

Tenant arrangements

The Board has revised its accounting policies in the period as detailed in Note 2 to the Consolidated Financial Statements to appropriately account for a level of direct interaction between tenants and vendors and for properties which are unhabitable as summarised below (lease inducements, lease commencement date and payments to/on behalf of tenants). Further detail is provided in Notes 2, 3 and 4 to the Consolidated Financial Statements.

Lease inducements

The Group did not provide lease inducement consideration to tenants directly; however, the Directors have considered the relationship between the vendor and tenant and AHRA's expectation that the vendors generally provide the tenant with cash in the amount of the first year's rent funded through the original acquisition payment made by the Group to the vendor. The Directors have concluded that the substance of these transactions is such that the lease and the SPA should be accounted for as a single contract as set forth in IFRS 16, paragraph B2 resulting in an amount equal to twelve months of rent payable recognised as either a lease inducement asset or a debtor (for habitable and unhabitable properties respectively) representing the first year of rent and reduction to the investment property purchase price accordingly.

Lease commencement date

The commencement date of a lease is usually the lease inception date, and this is the case for habitable properties. For those properties purchased which were in very poor condition or boarded up or required conversion, the Directors consider that these properties were unhabitable and therefore did not meet the criteria for the recognition of an operating lease at its commencement date. Accordingly, revenue recognition only begins when the property is in a habitable condition. Any cash received from the tenant while the property is judged to be unhabitable is applied as a reduction in the cost of the debtor or the carrying value of the property.

Payment to/on behalf of tenants

On 18 June 2021, AHRA, on behalf of the Company, without the knowledge or authority of the Board, entered into an escrow agreement with Noble Tree Foundation Limited, a tenant, and Intertrust Trustee 3 (Jersey) Limited whereby an affiliate of Karla Asset Management Limited ("KAM") (KAM is now in liquidation) provided £0.8 million to an escrow account in the Company's name with such funds to be used as approved by two AHRA fund managers. The escrow funds could be accessed by two tenants, Noble Tree Foundation Limited and Big Help Project, as approved by the two AHRA fund managers. As at 31 August 2021, £0.4 million had been distributed with the rest distributed in the 2022 financial year. The 2021 comparatives in these accounts have been restated to account for the revenue and expenses associated with this arrangement.

During the period from September 2021 to October 2022, without knowledge or authority of the Directors, debtors were settled in several non-traditional ways as follows:

- As noted above, at acquisition vendors usually had an obligation to improve a property to a good lettable standard and in some cases, vendors paid tenants to transfer the obligation to the tenants. In several cases the settlement agreements to transition these obligations from vendors to tenants resulted in cash of £1.7 million being transferred to the Group to be used to settle debtors instead of paid to the tenants by the vendors. Cash in excess of outstanding debtors at the time was received in the amount of £0.3 million and the excess funds were reimbursed to the associated two tenants;
- Vendors made payments on behalf of 14 tenants in the amount of £7.2 million;
- One tenant settled amounts on behalf of two other tenants in the amount of £1.6 million; and
- The Group withheld £2.1 million from the acquisition of properties with an agreed price of £17.0 million, such that funds transferred at acquisition were £14.9 million. The funds withheld were offset against debtors from three tenants.

These transactions were used to settle debtors from specific tenants as directed by AHRA. The Directors have considered whether the more appropriate accounting would be to apply the cash receipts as a reduction in the carrying value of the property or as a creditor. The debtor balances would then be written off as uncollectible under IFRS 9. However, there was correspondence between AHRA and counterparties which provided evidence of the intent of the cash transfers. Further, there were no signed notes or other agreements executed which would signify any lending arrangements. Accordingly, the Directors have concluded that applying the cash received against outstanding debtors was in-line with the intent of the transaction.

The outstanding debtors at 31 August 2022 after making all cash applications (including the above) of £1.9 million were provided for in full.

Rent free periods

Without Board knowledge or consent, the Group, post period end, entered into deeds of variations for 87 leases representing rental income of £1.2 million per annum with N-Trust Homes CIC, Select Social Housing CIC and ICDE Homes CIC. Those tenants received rent free periods on all of their leases retroactive to 1 March 2022 and extending 18 months to 31 August 2023 in exchange for changing the lease extension term from five years to ten years in the agreement. Further detail is provided in Note 26 to the Consolidated Financial Statements.

Tenant concentration

As at 31 August 2022, the portfolio was 100% let to 29 tenants. The below table summarises rental exposure as a percentage of annual contracted rent as at 31 August 2022:

Top 10 tenants	Number of properties	Rental exposure	Contracted rent £ million
Lotus Sanctuary CIC	109	12.1%	£6.6
Supportive Homes CIC	202	10.4%	£5.6
Redemption Project CIC	139	9.1%	£4.9
One CIC	156	8.3%	£4.5
Big Help Project	325	8.1%	£4.4
Gen Liv UK CIC	107	6.3%	£3.4
Bloom Social Housing CIC	92	5.3%	£2.9
CG Community Council	54	5.0%	£2.7
Dovecot and Princess Drive Community Association	52	4.5%	£2.4
Noble Tree	143	4.5%	£2.4
Top 10 tenants	**1,379**	**73.6%**	**£39.8**
19 other tenants	860	26.4%	£14.1
Total	**2,239**	**100.0%**	**£53.9**

Connected tenants

Whilst tenants did not form a group for the purposes of measuring exposure to a single tenant, many of the tenants were connected by common directors/trustees. Based on information now received by the Board, the below table summarises the connected tenants and connected tenant concentration as at 31 August 2022 as if they did meet the criteria of a group:

Connected tenants as at 31 August 2022	Rental exposure	Connected relationships	Connected tenant total exposure
Big Help Project	8.1%	Common trustees – some or all of: Colette Goulding, Joseph Goulding, Paul Banks and Peter Mitchell	20.2%
CG Community Council	5.0%		
Dovecot and Princess Drive Community Association	4.5%		
N-Trust Homes CIC	1.2%		
Big Help Homes CIC	0.9%		
Select Social Housing CIC	0.5%		
Lotus Sanctuary CIC	12.1%	Common director – Gurpaal Singh Judge	23.3%
Redemption Project CIC	9.1%		
Eden Safe Homes CIC	2.1%		
Serenity Support CIC	1.2%	Former common director – Gabrielle Duberry	3.8%
Ashwood Housing Solutions CIC	2.6%		

Tenant covenant strength and liquidations

As at 31 August 2022, 100% of the portfolio was let to registered charities, housing associations and community interest companies. In line with the Original Investment Policy, the Group had intended to acquire assets let or pre-let to a wide range of tenants with robust financials and a proven long-term operating track record across a diverse range of homeless sub-sectors and locations. Rental levels for the Group's tenants were confirmed by AHRA to be a sustainable level with significant headroom between property rent and housing benefit allowance received from the local authority. The headroom between core lease rent payable on the Group's properties and housing benefit was intended to cover the tenant's management charge and the cost of intensive housing management/ buildings upkeep associated with the provision of accommodation to homeless people.

As a result of investigations performed post year end, AEW has determined that the majority of tenants were poorly capitalised and lacked long-term operating track records, or the benefit of local authority support. In some instances, for example single family homes, the rent burden under the original lease was unsustainable based on the location, lay-out, use and condition of the property.

AEW and the Board have determined that as at 31 August 2022, 17 of the 29 tenants were of weak covenant strength representing 68.3% of properties and 66.6% of annual contracted rent as at that time. One tenant had entered administration as at 31 August 2022 and a further 11 tenants entered into voluntary administration post period end, representing 53.9% of properties and 62.1% of annual contracted rent as at 31 August 2022.

A number of tenants have surrendered leases or entered into creditors voluntary liquidation or administration. Of leases associated with the tenants in place for the 2,239 properties owned by the Group on 31 August 2022, 369 are still in in place, 452 properties have been turned over to a property manager and the Group has direct leases with the occupants, 349 are re-tenanted, and 1,069 have been sold.

Rent collection

Of the arrears at 31 August 2022 all but £1.9 million were substantially recovered from tenants post year end and this balance was fully impaired. As detailed above, £12.3 million were settled in non-traditional manners. More detail is provided in Notes 3, 5 and 11 to the Consolidated Financial Statements.

Rent collection deteriorated significantly post period end with rent collected under operating leases including arrears of £4.1 million from 1 September 2023 to 31 August 2024 compared to rent demanded in the period of £35.9 million.

Occupancy and Social Use

Whilst properties were 100% let to tenants, the post period end inspection programme has identified 172 properties were unhabitable as at 31 August 2022. Contrary to reporting by AHRA to the Board, the Group had no reliable data for monitoring underlying occupancy of properties as at 31 August 2022 and the Directors have therefore made assumptions based on the post period end inspection programme (see further detail in Note 3 to the Consolidated Financial Statements).

The inspection programme which has been on-going since August 2023 provides some reference point as at the date of inspection, however, this is in regards of occupation (being one or more bedroom occupied) compared to whole buildings vacancy (no bedrooms occupied). As at the date of inspection by Vibrant (from July 2023 onwards), of the 2,239 properties owned at 31 August 2022, 54.9% were considered occupied, 14.9% were considered unoccupied, 12.6% were inspected by a firm other than Vibrant (who made no comment on occupation) and 17.6% remain uninspected.

AEW continues to undertake a comprehensive review and data collection exercise of the property portfolio. Analysis of the underlying property condition and use is paramount as part of an exercise to determine suitability, capital expenditure requirements, and the prospects for income and capital returns prospects as AEW works to rationalise and re-tenant the portfolio during the Stabilisation Period and now the Managed Wind-Down.

Whilst all tenants had the intention to provide homeless accommodation, AEW continues to obtain reliable data from tenants that the majority of the portfolio has currently been identified as PRS rather than homeless accommodation backed by exempt rents from local authorities. PRS occupiers, however, could be at risk of homelessness and meet the criteria of broader Social Use, as defined in the Amended Investment Policy, based on the location of the properties and the type of accommodation they provide.

Net asset value

The NAV per Share has decreased to 43.76 pence as at 31 August 2022, a decrease of 57.5% from the restated 103.03 pence at 31 August 2021.

Post period end activity

Acquisitions

The Group acquired 232 properties totalling £104.1 million (including purchase costs) across various geographical locations in eight regions of England.

Unauthorised Settlement Agreement

On 8 December 2022, a representative of AHRA, acting without the knowledge or authority of the Board, entered into a settlement agreement on behalf of the Company and two of its wholly owned subsidiaries Home Holdings 1 Limited and Home Holdings 2 Limited with the Aggregators. The Directors were not made aware of the settlement agreement before it was signed. The agreement required the Company to pay £0.7 million and purportedly waived any claims against the Aggregators arising from all sales contracts and any non-performance of any refurbishment works for 488 properties in exchange for any claims the Aggregators may have had against the Company.

Amended Investment Policy

The Amended Investment Policy effective from 21 August 2023 intended to ensure the Company was able to continue to operate in the sector and preserve its longer-term social objective of helping to alleviate homelessness in the UK:

- a Stabilisation Period had been introduced, during which time, the Company would have the objective of stabilising the Group's financial condition through initiatives to maximise income and capital returns. The Stabilisation Period was for a period of 2 years from 21 August 2023 or such later date (not being later than one year) approved by the Board.
- the permitted uses of properties had been diversified to include during the Stabilisation Period any form of residential use. Post stabilisation the Company would target predominantly homeless accommodation assets and assets with any Social Use; and
- a new leasing model had been adopted which was better aligned to the needs of Local Authorities, Charities, Registered Providers and Housing Associations and the needs of the underlying occupants of the properties.

New Investment Policy – Managed Wind-Down

On 5 February 2024, the Group announced that it had commenced a re-financing process to consider alternative finance options for the Company. On 17 June 2024, the Company announced that it had been unable to secure a re-financing of its existing debt facility on terms that it could recommend to shareholders, despite extensive and advanced discussions with a potential lender. The re-financing of the debt was a key component of the continued advancement of the stabilisation strategy discussed above and as adopted in August 2023. As the re-financing had not been possible, the Company also announced that it was considering a number of options both to re-pay the outstanding debt and provide an optimised resolution for shareholders, which may include a more extensive realisation strategy. The Board and AEW continued to engage with Scottish Widows which advised that its objective is for repayment of the loan balance in the short term and no later than 31 December 2024.

Subsequent to concluding that the re-financing was no longer viable, the Board conducted a full review of the stabilisation strategy and whilst it recognised that there is an opportunity to add value to the portfolio at a property level, it concluded that this strategy faces considerable challenges. These include a high fixed corporate cost base, required due to the REIT structure and as a result of the issues being dealt with by the Company at this time, and the requirement for capital expenditure to drive an increase in rental value and valuation of the portfolio. In addition, the Board was aware that the size of the vehicle following the repayment of debt may be considered too small by many investors when considering its future as a listed REIT.

As a result of these factors, and having carefully considered the range of options available for the Company, the Board concluded that it was in the best interests of shareholders to propose a managed wind-down strategy for the Company pursuant to which the assets of the Company would be sold with the objectives of optimising remaining shareholder value and repaying the Company's loan balance. The implementation of the proposed Managed Wind-Down required another change to the Company's investment policy. Accordingly, on 16 September 2024, shareholders approved the New Investment Policy, which is intended to allow the Company to realise all the assets in its property portfolio in an orderly manner with the view to repaying borrowings and making returns of capital to shareholders whilst aiming to optimise value for the Company's assets.

Investment Manager activity

On 22 May 2023 the Company appointed AEW to provide property advisory services and announced its intent to engage AEW as Investment Manager and AIFM after receipt of FCA and shareholder approval for a new investment policy. On 21 August 2023 shareholders approved the Amended Investment Policy and the Company appointed AEW as Investment Manager and AIFM.

AEW has undertaken the following activity since appointment:

Property disposals

Since August 2023 the Group has undertaken a series of auction sales in order to repay bank debt and provide working capital. As at the date of these accounts, 1,491 properties have been sold at auction for total gross proceeds of £216.5 million of which 1,228 properties have completed for £169.7 million and 263 remain exchanged for sale for £46.8 million.

Asset management initiatives

i. On 23 August 2023, One (Housing & Support) CIC ("One CIC") agreed to surrender its leases on 100 properties. Mears Limited ("Mears"), which had been a sub-tenant became a direct tenant for its remaining lease term. The surrender agreement allowed the Group to receive a sustainable income stream of £0.9 million per annum from a strong tenant covenant with the expectation to generate significantly higher rent collection than has previously been received from One CIC in relation to the properties, despite a lower headline rent (previously £1.2 million per annum).

ii. In September 2023, lease surrenders were completed on 146 properties previously leased to Redemption Project CIC. The sub-tenant Mears became the Company's direct tenant on 77 of these properties. The remaining 69 properties were leased to Community Accommodation Group.

iii. In November 2023, lease surrenders were completed with Eden Safe CIC on 38 properties. Centrick were appointed as property managers on the properties identified as let to PRS tenants.

iv. In April 2024, the Group signed new 5-year leases on eight properties with a specialist provider of social use accommodation.

v. In May 2024, the Company reached an agreement with entities associated with Peter Mitchell, Collette Goulding, Joseph Goulding and Paul Banks comprising: Big Help Project, Big Help Homes CIC, CG Community Council, Dovecot & Princess Drive Community Association, N-Trust Homes CIC and Select Social Housing CIC) for the surrender of its leases on 605 properties. The Board and AEW believe this achieved the best solution for the Company by enabling the Company to gain control of the properties, appoint property managers, collect the underlying rental income and remove these entities as tenants from the portfolio.

vi. Noble Tree Foundation Limited ("Noble Tree"), a non-performing tenant of 143 properties in the Company's portfolio entered into administration on 3 June 2024. The Company and AEW worked closely with the appointed administrator, CBW Recovery LLP, to arrange the surrender of Noble Tree's leases and a handover of its tenancies.

vii. In June 2024, the Company reached an agreement with Bloom Housing CIC for the surrender of 76 properties enabling the Company to access PRS rent, gain possession of vacant stock and take on the direct contractual relationship of 26 underleases of existing supported accommodation with Concept, Julian House and Gateway 2 House. Bloom Housing CIC have retained seven properties which they directly manage and are already in payment under a new flexible lease structure.

viii. In August 2024, the Company reached an agreement with Mansit Housing CIC, a non-performing tenant, for the surrender of its leases on 68 properties enabling the Company to directly collect the underlying income from these properties, increasing rent collection and facilitating asset management opportunities. The majority of the properties were occupied by PRS tenants.

ix. Following One (Housing & Support) CIC, a tenant of 110 properties, entering into voluntary administration, on 5 August 2024, Myshon Limited, a specialist intensive housing manager with a specific focus on specialist supported housing, supported housing and affordable housing, is expected to be appointed by the administrator to manage the handover of properties, focused on minimising any potential disruption to underlying occupants and support services, as well as facilitating collection of rent.

x. AEW is in active dialogue with a number of housing providers who have significant demand for beds with a blend of regional and nationwide requirements.

xi. AEW continue to engage with providers of various forms of Social Use accommodation. Social Use includes real estate used to house vulnerable individuals including but not limited to: Homeless, ex-service men and women, individuals fleeing domestic abuse, vulnerable women, prison leavers, asylum seekers, refugees, foster care leavers, care leavers, anyone experiencing substance misuse, mental illness or disability.

xii. As part of a re-tenanting strategy AEW has developed a growing list of providers with relationships with Local Authorities capable of receiving exempt rent.

xiii. AEW has developed a framework lease and management agreement to accommodate the onboarding of properties and the re-tenanting strategy.

Debt finance and repayment

The Group had entered into the following loan agreements (the "Facilities") with Scottish Widows:

- a 12-year interest-only, fixed-rate, £120 million term loan agreement on 11 December 2020. The facility was repayable in December 2032 and has a fixed all-in rate payable of 2.07% per annum, for the duration of the 12-year loan term.
- a 15-year interest-only, fixed rate, £130 million term loan agreement on 1 December 2021. The facility was repayable in December 2036 and has a fixed all-in rate payable of 2.53% per annum, for the duration of the 15-year loan term.

Both loans were fully drawn and the Facilities secured against the assets acquired by the Group. The Group's debt was 100% fixed to maturity with a very low weighted average all in cost of 2.31% per annum as at 31 August 2022.

The subsidiaries of the Company and the Company are party to agreements with (amongst others) Scottish Widows including (in the case of the subsidiaries of the Company) facility agreements and (in the case of the Company) guarantees. Since an initial waiver letter dated 30 January 2023 for an initial waiver period and waiving certain breaches, new waiver letters have been issued on the expiry of each previous waiver period. The current waiver letter is scheduled to expire on 31 October 2024. The current waiver letter relates to various matters including financial covenants, an adverse change in the position of the Company and its subsidiaries, a failure to deliver audited accounts and other information, the suspension of the shares of the Company on the London Stock Exchange and the tax status of the Company. Scottish Widows has advised that their objective is for repayment of the loan balance prior to 31 December 2024.

The Group has post period end repaid a total of £178.0 million as at the date of these accounts comprising £159.0 million of cash and £19.0 million Net Break Gains resulting from the settlement of fixed rate debt. The cash repayment included £38.9 million from uninvested/unavailable loan amounts drawn, and proceeds from property sales of £120.1 million.

On 19 June 2023, Scottish Widows imposed a Deferred Fee of 0.5% of the aggregate amounts outstanding on the two loans at each of 31 August 2023 and 30 November 2023, payable on the earlier of 28 June 2024 or the full and final repayment of the loan. On 4 December 2023, Scottish Widows imposed a further Deferred Fee being the equivalent of 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis from 30 November 2023. On 2 July 2024 the Lender increased the Deferred Fee to 7% from 1 July 2024 until the loan is fully repaid. Deferred Fees are estimated to total £9.1 million on final repayment in December 2024.

Outlook

As noted above, shareholders approved the New Investment Policy for the Managed Wind-Down on 16 September 2024.

Approach to the Managed Wind-Down

It is expected that the Company, via AEW, will adopt a broad and managed approach to the disposal of assets, with a view to optimising value for shareholders. Although it will be necessary to realise a proportion of the property portfolio before 31 December 2024 to meet the requirements of Scottish Widows and repay the outstanding debt, sales will otherwise be structured and executed with the intention to achieve best value and to minimise disruption to the underlying occupiers of the properties. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type and lease terms.

During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity. In addition, given the Company's originally stated objective of providing accommodation for the homeless, the realisation process will be managed in a way to minimise impact and disruption to underlying, vulnerable occupiers. In that respect, as previously announced, a larger than expected proportion of the portfolio is PRS rather than homeless accommodation backed by exempt rents from local authorities.

The Company will continue to provide regular updates during the Managed Wind-Down. However this, and the level of disclosure included, will be reviewed throughout the process in order to protect the Company's commercial interests and allow disposals to be completed in a manner that preserves shareholder value.

Return of capital to shareholders

It is the intention of the Board following the repayment of the Company's outstanding debt facilities that capital will be returned to shareholders upon the completion of the realisation strategy. However, shareholders should be aware that the ability of the Company to make distributions to shareholders will be constrained whilst the Company faces potential group litigation and an FCA investigation. At present, the Board is unable to assess properly its ability to make distributions under the applicable legal requirements. In addition, the Company expects to retain capital to meet corporate costs and allow it to pursue legal action against those it considers responsible for wrongdoing.

The most appropriate timing and mechanism to return capital to shareholders will be determined in due course.

Financial statements and restoration of listing

The audited results for the year ended 31 August 2023 have been prepared in parallel and, along with interim results for the periods to 28 February 2023 and 29 February 2024 respectively, are expected to be published during the fourth quarter. Following publication of all outstanding financial information, the Company will then be able to apply to the FCA for a restoration of its listing and the recommencement of trading on the London Stock Exchange.

Further details regarding the expected timetable for restoration of listing will be announced upon publication of the above financial information and the Company expects to engage with shareholders ahead of this important event.

AEW UK Investment Management LLP
10 October 2024

ESG report

This Environmental, Social and Governance Policy applies to the Company and the Group.

The Board together with AEW from their appointment in August 2023 (together, "we" for the purposes of this ESG report only), have a responsibility to conduct the Group's investment business in a socially responsible way and recognise that our investors may have the same values.

The Group is not formally required to report under the Task Force for Climate-Related Financial Disclosures.

Environmental, Social & Governance ("ESG")

The Board believes that ESG should be a key principle of AEW's approach to Responsible Property Investing (RPI) and that a sustainable and socially responsible approach to real estate investment management both protects and enhances the value of our assets, now and in the future.

AEW are fully aware of the impact of our activities on environmental and social issues both from our business and our investment, asset management and development activities. To this end AEW are committed to implementing a comprehensive Socially Responsible Investment (SRI) policy. By doing so AEW expect to meet our stakeholders' expectations, whether they are clients, tenants, providers, employees, or any other individual with whom we interact.

AEW's policy is aligned with the international climate agreement signed in Paris in December 2015 as climate change is a major challenge for humanity that poses important risks and creates opportunities for the real estate industry. The real estate sector in Europe accounts for some 40% of total energy consumption and about 25% of greenhouses gases (GHG) emissions.

Over the coming years we believe that both occupiers and investors will increasingly focus on the way in which ESG issues are managed. In turn, this is expected to impact on building obsolescence, lettability, rates of lease renewals and ultimately the rental and capital values for individual assets if ESG issues are ignored. However, the Board's and AEW's fiduciary duty to investors must always come first in all investment decision-making. AEW engage with clients wherever possible to educate on the importance of ESG. Where we feel it is important to do so and costs can be justified in terms of performance objectives, or are required to comply with UK legislation, we will seek to incorporate or adopt best practice.

Environmental

By law all rented residential property must have an energy performance certificate (EPC) rating of "E" or above. The government have proposed that by December 2028, all existing privately rented properties will need an EPC rating of "C" or above. As part of AEW's inspection programme, including the Vibrant surveys, compliance is being monitored and will be regularly reported to the Board.

Of the properties held as at 31 August 2022 the Group's current EPC ratings are as detailed below:

Rating	Number of Properties	%
A	2	0.1
B	7	0.3
C	537	24.0
D	1,208	54.0
E	371	16.6
F	6	0.3
G	10	0.4
Unknown	98	4.3
Total	**2,239**	**100.0**

Social

We have identified the major stakeholders in the Group's business and endeavour to consider the impact of our decisions upon these.

Shareholders: As a public group listed on the London Stock Exchange, the Group is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed group must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. We use our best endeavours to abide by the Listing Rules at all times.

Employees: As an externally managed real estate investment trust, the Group does not have any employees as all its functions are carried out by third party service providers. However, the Group has a board comprised of non-executive Directors who receive fixed fee remuneration. The Board receive regular market and regulatory updates from its professional advisers such as AEW, Broker and Company Secretary and attend seminars where required.

Tenants: AEW performs extensive due diligence before a tenant is selected, and during the tenancy agreement we aim to maintain a constructive relationship. We take into account our tenants' changing needs and we use our expertise to assist them in any way within our ability.

Service Providers: A list of the Group's key service providers can be found in the Company Information on page 160. The Group conducts all its business through its key service providers. Before the engagement of a service provider, we aim to ensure that our business outlook as well as our values are similar. The Group performs an annual evaluation of all of its key service providers to ensure inter alia that our values remain aligned.

Governance

AHRA and Alvarium FM were expected to work together to ensure the execution of the Company's investment strategy, overseen by the Board. Accordingly, the Board expected that the Company's investment activity would be consistent with the Company's policies and compliant with its procedures and with local and regional regulatory requirements.

Since the period end, the Board has determined that, significant and material information has come to light which is in contradiction to reporting provided to the Board and other advisers by AHRA and Alvarium FM during the period. The Board has appointed a new Investment Manager and AIFM with effect from 21 August 2023.

Compliance

The Company was incorporated and registered in England and Wales as a public company limited by shares. The Group is not authorised or regulated as a collective investment scheme by the FCA, however it is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The principal legislation under which the Group operates is the Companies Act 2006. While the Group holds income-producing property assets, the Directors intend, at all times, to continue to conduct the affairs of the Group to enable to continue to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

The Group seeks to comply with the AIC Code of Corporate Governance (the "AIC Code") and will report on its compliance with the AIC Code each year in its Annual Report.

Risk Management

Our governance model is designed to manage investment risk and operational risk. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board has reviewed the risk management governance model post-period end and has made some amendments to the model.

i. Internal inspection of properties by JLL, Vibrant and other third parties;

ii. enhancement of the Group's whistleblowing policy for third parties including a contact address for the Chair and request for key service providers to provide relevant employees with the contact details of the Chair to raise concerns;

iii. Health and Safety – As a result of the Amended Investment Policy which includes removing the requirement for all leases to be fully repairing and insuring (FRI), the Group is exposed to increased health and safety risk. Health and safety is a standard priority item on the Board's agenda with AEW having an established Health and Safety Committee which regularly reports material matters to the Board.

Investment Risk

The Group will not at any time conduct any trading activity which is significant in the context of the business of the Group as a whole. The Group and the Board had intended, at all times, to invest and manage its assets in a way that was consistent with its objective of spreading investment risk and in accordance with its published Original Investment Policy.

As detailed in Management Report beginning on page 15, since period end, significant investment risk has been identified that was not disclosed to the Board concerning:

- quality of the assets, including uncompleted Seller's Works and unhabitable properties;
- tenant suitability and connections between tenants; and
- underlying occupancy of properties.

Operational Risk

AHRA had undertaken to follow EPRA best practice recommendations assessing operational risk on a continuous basis and reporting regularly to the Group's Board. Since the period end, the Board has determined that significant and material information has come to light which is in contradiction to reporting provided to the Board during the period.

AEW since appointment on 21 August 2023 continues to assess operational risk on a continuous basis and report regularly to the Board on operational risk matters.

Responsible investment

Ownership

The Group's Investment Adviser was the owner of this policy during the reporting period. The policy was subject to annual review.

AEW, appointed on 21 August 2023, is committed to creating long-term value for shareholders and adheres to a policy of sustainable and responsible investment. AEW's SRI policy can be found within the Corporate Responsibility area on the Group's website www.homereituk.com. AEW reviews its Sustainability Policy on an annual basis, and the policy is approved by the Board of AEW.

Key performance indicators

The Group presented various EPRA Performance Measures and other Key Performance Indicators in the Management Report for the period ended 31 August 2021. Given the significant number and quantum of non-recurring adjustments recorded in these 2022 financial statements, the Board does not consider that the EPRA and other key performance measurements will benefit the user of these financial statements and accordingly, we are not presenting any EPRA Performance Measures in these Report and Accounts. However, the Board will continue to keep the presentation of EPRA measurements under review.

In lieu of EPRA metrics, the Board considers the following key performance indicators ("KPIs") as appropriate for the user of these Report and Accounts:

Set out below are the KPIs that are used to track the Group's performance.

		Performance		
KPI and definition	**Relevance to strategy**	2022	2021	**Results**
1. Total expense ratio The percentage of total operating expenses, including management fees and administrative and operational costs expressed as a percentage of the NAV.	The total expense ratio is a key measure of the Group's operational performance and can be used to measure Group performance against peer companies.	3.0%	1.4%	The expense ratio grew because some key expenses (i.e., investment adviser and administrative fees) were charged based on NAV at the time. NAV was subsequently written down materially, resulting in the significant increase in the ratio.
2. NAV per Share The NAV attributable to shareholders divided by average shares outstanding during the period.	NAV per share provides shareholders with an indication of Group value.	43.76 pence	103.03 pence	Decrease of 57.5%, primarily resulting from: i) decrease in the FV of investment property of £452.9 million, ii) write-off of Seller's Works of £11.9 million, and iii) impairment charges on lease inducements of £28.3 million.
3. Loan-to-Value Ratio of gross debt as a percentage of the valuation of investment property.	LTV measures the prudence of balancing higher shareholder returns and additional portfolio diversification against the additional risk of leverage.	60.3%	36.6%	Group LTV grew as new debt was obtained and the property portfolio sustained significant write-downs in value.

Strategic overview

Purpose, business model and strategy

The Board is responsible for the overall management of the Group and, in accordance with the AIC Code, the Board establishes the Group's purpose, values and strategy, and reports to shareholders on the detail of how this is achieved.

As an investment group, the Group's purpose is expressed in its investment objective. Its investment policy describes the strategy adopted by the Group to achieve its objective. The investment objective and policy stated below should be considered in conjunction with the Chair's statement and the other disclosures within the Strategic Report which provide an in-depth review of the Group's performance and future strategy.

Post period end, the Amended Investment Policy, which is summarised on page 33, was approved by shareholders on 21 August 2023. The New Investment Policy was approved by shareholders on 16 September 2024. In accordance with the AIC, the current investment objective policy, which was effective from 16 September 2024, is detailed below.

Investment objective

The Company's investment objective is to realise all existing investments in the Company's portfolio in an orderly manner, with a view to ultimately returning available cash to shareholders, following the repayment of the Company's borrowings.

New Investment Policy

The Company will endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising the value of its investments and making timely returns to shareholders.

The Board intends that the proceeds of any asset realisations will be used to repay the Company's borrowings before any such proceeds are distributed to shareholders.

The Company will not make any further investments. Capital expenditure will be permitted where it is deemed necessary or desirable by the Investment Manager in connection with the Managed Wind-Down, primarily where such expenditure is necessary to protect or enhance an asset's realisable value, or in order to comply with statutory obligations.

Diversification of Risk

The net proceeds from asset realisations will be used to repay borrowings and return capital to shareholders (net of provisions for the Company's costs, expenses and potential liabilities) in such manner as the Board considers appropriate and when it is able to do so.

Net proceeds from realisations will be used to repay borrowings, with excess cash (which will be held in sterling only) placed on deposit and/or held as cash equivalent securities, other cash equivalents, cash funds or bank cash deposits, pending its return to shareholders.

Borrowing policy

The net proceeds from realisations will be used to repay borrowings. The Company will not take on any new borrowings.

Any material change to the Company's investment policy set out above will require the approval of shareholders by way of an ordinary resolution at a general meeting and the approval of the Financial Conduct Authority. Non-material changes to the investment policy may be approved by the Board.

Approach to the Managed Wind-Down

It is expected that the Company, via AEW, will adopt a broad and managed approach to the disposal of assets, with a view to optimising value for shareholders. Although it will be necessary to realise a proportion of the property portfolio before 31 December 2024 to meet the requirements of Scottish Widows and repay the outstanding debt, sales will otherwise be structured and executed to achieve best value and to minimise disruption to the underlying occupiers of the properties. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type and lease terms.

During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity. In addition, given the Company's originally stated objective of providing accommodation for the homeless, the realisation process will be managed in a way to minimise impact and disruption to underlying, vulnerable occupiers. In that respect, as previously announced, a larger than expected proportion of the portfolio is PRS rather than homeless accommodation backed by exempt rents from local authorities.

The Company will continue to provide regular updates during the Managed Wind-Down, however this, and the level of disclosure included, will be reviewed throughout the process in order to protect the Company's commercial interests and allow disposals to be completed in a manner that preserves shareholder value.

Return of capital to shareholders

It is the intention of the Board, following the repayment of the Company's outstanding debt facilities, that capital will be returned to shareholders upon the completion of the realisation strategy. However, shareholders should be aware that the ability of the Company to make distributions to shareholders will be constrained whilst the Company faces potential group litigation and an FCA investigation. At present, the Board is unable to assess properly its ability to make distributions under the applicable legal requirements. In addition, the Company expects to retain capital to meet corporate costs and allow it to pursue legal action against those it considers responsible for wrongdoing.

The most appropriate timing and mechanism to return capital to shareholders will be determined in due course.

Financial statements and restoration of listing

The audited results for the year ended 31 August 2023 have been prepared in parallel and, along with interim results for the periods to 28 February 2023 and 2024 respectively, are expected to be published during the fourth quarter. Following publication of audited results for the year ended 31 August 2024, the Company will then be able to apply to the FCA for a restoration of its listing and the recommencement of trading on the London Stock Exchange.

Further details regarding the expected timetable for restoration of listing will be announced upon publication of the above financial information and the Company expects to engage with shareholders ahead of this important event.

Business and status of the Company

The Company is registered as a public limited company and is an investment company within the terms of section 833 of the Companies Act 2006. The Company is a REIT for the purposes of Part 12 of the Corporation Tax Act 2010. It will be treated as a REIT so long as it continues to meet the REIT conditions in relation to any accounting period.

The Company made distributions for the 2021 and 2022 financial years as documented in its property income distribution ("PID") tracker as submitted to HM Revenue & Customs ("HMRC") based on estimates of its Property Income, which is required to maintain REIT status. As discussed in Note 4 to the Consolidated Financial Statements, comprehensive income for 2021 has been revised to a lower level and the result for 2022 is a comprehensive loss. The Company has agreed with HMRC that it will revise its PID tracker, but it will not recall past PIDs and reissue ordinary dividends. As PIDs are assessed annually, this overpayment of PID for FY21 and FY22 are not expected to impact future periods.

The Company was incorporated on 19 August 2020. Its Shares trade on the Premium Segment of the Main Market of the London Stock Exchange. The listing of the Company's ordinary shares was suspended on 3 January 2023 due to the non-publication of its annual financial report within four months after the end of its financial year, contrary to the FCA's Disclosure Guidance and Transparency Rule 4.1.3.

Employees, human rights, social and community issues

The Board recognises the requirement under Companies Act 2006 to detail information about human rights, employees and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies. These requirements, which may apply to the Group's investments, do not apply to the Company as it has no employees, all the Directors are non-executive and it has outsourced all its functions to third party service providers. The Company has therefore not reported further in respect of these provisions.

AEW is an equal opportunities employer who respects and seeks to empower each individual and the diverse cultures, perspective, skills and experiences within its workforce. For further information on AEW's principles in relation to people including diversity, gender pay, employee satisfaction surveys, wellbeing and retention, please refer to the ESG link within the Corporate Responsibility area at www.homereituk.com.

Modern Slavery Act 2015, Bribery Act 2010 and Criminal Finances Act 2017

The Directors are satisfied that, to the best of their knowledge, the Group's principal suppliers comply with the provisions of the Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017. AEW is part of the Natixis Group whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015. https://natixis.groupebpce.com/wp-content/uploads/2022/11/Modern-Slavery-Act-statement-2024.pdf.

Details about the Group's approach to ESG are set out on pages 25 to 27.

Gender diversity

As at 31 August 2022, the Board comprised two female and two male Directors. The appointment of any new Director is made in accordance with the Company's diversity policy as detailed on page 71.

Stakeholder engagement

Stakeholders are integral to the long-term success of the Group. The Board recognises that, both individually and collectively, its overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company and the Group. As set out in section 172 of the Companies Act 2006, the Directors act for the benefit of shareholders and in the interests of stakeholders as a whole, having regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly between shareholders of the Group.

All Board discussions include consideration of the longer-term consequences of any key decisions and their implications for the relevant stakeholders.

A group's stakeholders are normally considered to comprise its shareholders, employees, customers, suppliers as well as the wider community in which the Group operates and impacts. The Group differs as it is an externally-managed investment trust it has no employees and, in terms of suppliers, it receives professional services from a number of different providers, principal among them being AEW (or previously AHRA as appropriate).

Through regular engagement with its stakeholders, the Board aims to gain a rounded and balanced understanding of the impact of its decisions. Feedback from stakeholders is gathered by AEW (or previously AHRA as appropriate) in the first instance and communicated to the Board in its regular quarterly meetings and otherwise as required.

The importance of stakeholders is taken into account at the board meetings, with discussions involving careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Details of how the Board seeks to understand the needs and priorities of the Group's stakeholders and how these are taken into account during all of its discussions and as part of its decision-making are set out below:

Shareholders

The Board welcomes shareholders' views and is committed to maintaining open channels of communications with them. The Board is responsible for the content of communication regarding corporate issues and for communicating its views to shareholders. It aims to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by investing in the Group. The channels of engaging with shareholders include:

Annual General Meeting

All shareholders are encouraged to attend and vote at the Annual General Meeting ("AGM") and at any general meetings of the Company, during which the Board and AEW are available to discuss issues affecting the Group and to provide an overview on the Group's performance and its future outlook. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM and takes action, as appropriate.

Meetings with shareholders

AEW, along with the Broker, regularly meets with the Company's shareholders to provide Group updates and to foster regular dialogue. Feedback from all shareholder meetings, and shareholders' views, are shared with the Board on a regular basis. Shareholders wishing to communicate directly with the Board should contact the Company Secretary at the registered office address. The Chair and the other Directors are available throughout the year to meet with shareholders to understand their views on the Group's performance and governance where the shareholders wish to do so.

Publications

The Annual and Half-Yearly Reports are made available on the Company's website. These reports intend to provide shareholders with a clear understanding of the Group's portfolio and financial position. As detailed in Note 4 to the Consolidated Financial Statments, the 2021 comparatives in these accounts have been restated resulting from the change in accounting policies. In addition to the Annual and Half-Year Reports, the investor presentations made by AHRA and any prospectuses and circulars issued by the Group are also available on the website. The Company provides regular updates on portfolio acquisitions, capital raises, disposals, tenant updates and any other relevant matter by way of market announcements. Due to the delay in the publication of the FY22 and FY23 annual reports, AEW, since its appointment in August 2023, has been providing monthly updates by way of market announcements and quarterly shareholder webinars.

Shareholder concerns

In the event that shareholders wish to raise issues or concerns with the Board or AEW, they are welcome to write to the Company at the registered office address. The Senior Independent Director and other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels.

Tenants

AEW has been actively engaging with all tenants as it assesses their suitability and develops its tenant specific strategy for re-tenanting assets. AEW has attempted to work with tenants to rationalise portfolios and where appropriate negotiate surrender of leases in order to take back control of the assets. AEW, more specifically its asset management team, maintains an ongoing dialogue with tenants either directly or in the case of occupiers on ASTs through its appointed property manager. AEW continues to engage with prospective tenants as part of the strategy to re-tenant the portfolio during the Stabilisation Period and the Managed Wind-Down.

Lenders

Regular meetings are held between the Lender, the Board and AEW to discuss and assess the Company's compliance with banking covenants and agree an appropriate strategy including waivers, partial repayment of loan facilities and additional fees payable.

Society and the environment

As an investor in real estate, the Group's assets have an impact on the built environment. The Group has an ESG policy which is included on pages 25 to 27 of this Annual Report.

Key decisions made during the year

Bank debt

The Group entered into a 15-year interest-only, fixed-rate, £130 million term loan agreement with Scottish Widows on 1 December 2021. The Facility was repayable in December 2036 and had a fixed all-in rate payable of 2.53% per annum, for the duration of the 15-year loan term. This was in addition to the 12-year interest-only, fixed-rate (2.07% per annum), £120 million term loan agreement with Scottish Widows on 11 December 2020. As noted in the Chair's Report, Scottish Widows has stated that it expects both loans to be repaid prior to 31 December 2024.

Equity issues

On 2 September 2021, the Group published a prospectus in connection with the launch of an Open Offer, Initial Placing, Intermediaries Offer and Offer for Subscription of new Shares in the capital of the Group, together with the implementation of a new 12-month placing programme (the "Placing Programme"). Due to the strong level and quality of demand from investors in the capital raise: on 22 September 2021, the Board decided to increase the size of the initial issue from the target of £262 million to £350 million; and on 27 May 2022, the Board decided to increase the size of the subsequent placing from £150 million to £263 million. Following this placing, the Group had issued all the Shares covered in the Placing Programme. The details of the shares issued under the Placing are set out in the Directors' Report on pages 47 and 48.

Key decisions made post period end

Dividends

The Board declared an interim dividend of 1.38 pence per Share on 12 December 2022 and paid this on 20 January 2023 in respect of the quarter ended 31 August 2022 based on the draft financial statements and forecasts provided by AHRA and to ensure it distributed Property Income, as defined, in order to comply with REIT regulations. In addition, the Board considered that it had the substantial Special Distributable Reserve (Note 17 to the Consolidated Financial Statements) which could cover any imprecision in AHRA's estimates.

However, had the full, accurate information regarding the material corrections made to these Financial Statements been provided to the Board at the time of approving the distribution, the Board would not have approved the distribution.

Appointment of Alverez & Marsal

In January 2023, the Board instructed A&M to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research Report. On 5 May 2023, A&M delivered to the Company a detailed report.

Termination of IA and AIFM

Due to information that came to light which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period, together with low rent collection and further evidence of material information being withheld from the Board, on 15 March 2023, the Board agreed with AHRA by way of letter of agreement that the Company was entitled to terminate the IAA on or before 30 June 2023. On 30 June 2023, the IAA was terminated. On 25 May 2023, the Company and Alvarium FM agreed by way of variation agreement, as further varied on 18 July 2023, that the IMA would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 21 August 2023, the Company terminated the IMA on the appointment of AEW as Investment Manager and AIFM.

Appointment of Investment Manager & AIFM

On 22 May 2023 the Board appointed AEW to provide property advisory services and announced its intent to engage AEW as Investment Manager and AIFM after receipt of FCA and shareholder approval for an amended investment policy. On 21 August 2023 shareholders approved the Amended Investment Policy and the Board appointed AEW as Investment Manager and AIFM.

Change of investment policy

The Board proposed an Amended Investment Policy which was approved by shareholders on 21 August 2023. The Amended Investment Policy intended to ensure the Company was able to continue to operate in the sector and preserve its longer-term social objective of helping to alleviate homelessness in the UK:

- a Stabilisation Period had been introduced, during which time, the Company would have the objective of stabilising the Group's financial condition through initiatives to maximise income and capital returns. The Stabilisation Period was for a period of 2 years from 21 August 2023 or such later date (not being later than one year) approved by the Board;
- the permitted uses of properties had been diversified to include during the Stabilisation Period any form of residential use. Post stabilisation the Company would target predominantly homeless accommodation assets and assets with any Social Use; and
- a new leasing model had been adopted which better aligned to the needs of Local Authorities, Charities, Registered Providers and Housing Associations and the needs of the underlying occupants of the properties.

The Board proposed a New Investment Policy for the Managed Wind-Down of the Group which was approved by shareholders on 16 September 2024. The New Investment Policy is intended to allow the Group to realise all the assets in its property portfolio in an orderly manner with the view to repaying borrowings and making timely returns of capital to shareholders whilst aiming to optimise the value of the Group's assets.

Appointment of valuer

JLL was appointed Independent Valuer to the Group on 18 July 2023 to undertake valuations in accordance with the RICS Valuation Professional Standards. The instruction included retrospective valuations as at 31 August 2022.

Repayment of debt

The Board has approved repayment of loans for a total of £178.0 million post period end comprising £159.0 million of cash and £19.0 million in Net Break Gains.

Scottish Widows has imposed Deferred Fees, payable on full and final repayment of the loans, of:

- 0.5% of the aggregate amounts outstanding on the two loans at each of 31 August 2023 and 30 November 2023; and
- 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis from 30 November 2023, which increased to 7% from 1 July 2024 until the loan is fully repaid.

Appointment of Non-Executive Directors

The Board approved the appointment of Michael O'Donnell as the Chair of the Company with effect from 18 January 2024 and Peter Williams as the Senior Independent Director from 2 April 2024 and as Management Engagement Committee Chair designate. Rod Day was appointed as Independent Non-Executive Director on 7 June 2024 and as Audit Committee Chair designate.

Principal risks and uncertainties

The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the emerging and principal risks facing the Company and the Group, together with a review of any new risks which may have arisen during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks are formalised within the Group's risk matrix, which is regularly reviewed by the Audit Committee. As part of its risk management process, the Audit Committee seeks to identify emerging risks to ensure that they are effectively managed as they develop and recorded in the risk matrix.

During the financial year under review, the Directors had not identified, nor been advised of, any failings or weaknesses which they determined to be of a material nature. As a result of the events post year end, as detailed on pages 9 to 14, the Board has updated regularly the risk matrix to better represent the current principal risks and the risk mitigation to effectively manage these risks. The principal risks and uncertainties which the Group faces under the New Investment Policy as approved by shareholders on 16 September 2024 are set out below.

Information about the Group's internal control and risk management procedures are detailed in the Corporate Governance Statement beginning on page 51. The principal financial risks and the Group's policies for managing these risks, and the policy and practice with regard to the financial instruments, are summarised in Note 14 to the Consolidated Financial Statements.

Risk	Mitigation
Investment strategy and operations	
Ability to meet objectives: The Company may not achieve its investment objective to realise all existing investments in the Group's portfolio in an orderly manner, with a view to ultimately returning available cash to shareholders, following the repayment of the Group's borrowings. The Company's returns are subject to significant uncertainties and contingencies and the Company's ability to make distributions may be constrained whilst the Company faces potential group litigation and an FCA investigation.	The Board regularly reviews the Group's performance against its stated objective and AEW's business plans. The Board will continue to review performance in relation to returns to shareholders. The Board seek regular advice from its advisers. The most appropriate timing and mechanism to return capital to shareholders will be determined in due course. The Board has significant and relevant experience of directing listed funds and/or managing businesses including restructuring.
During the Managed Wind-Down, the Company would endeavour to realise all of the Company's investments in a manner that achieves a balance between maximising value and making timely returns to shareholders.	Since its appointment, AEW has undertaken extensive and detailed steps to improve the viability and performance of the Group's assets and thereby providing a firmer platform for its operations. This has involved substantial tenant engagement, the removal of non-performing tenants, the appointment of property managers and re-tenanting of assets where appropriate. Through these activities, the Group has gained control of the majority of its properties and thereby enhanced the liquidity of the Portfolio. In addition, approximately 90%. of the Portfolio has been subject to internal inspection either by AEW, JLL, Vibrant or others, thereby significantly improving the level of understanding of the Portfolio. Analysis of the underlying condition and occupation of each property has been paramount to determine suitability, capital expenditure budgets, prospects for income and capital returns and for formulating strategies to drive rent collection. During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity.
The Company may not achieve its objective of maximising returns whilst realising assets in an orderly manner. The impact of bringing assets to market as part of a public wind-down strategy and the time required to execute disposals may also have an impact on disposal proceeds. Assets may therefore be realised at values which represent a material discount to the most recently published independent valuations. Sales of the Group's assets may take longer than anticipated.	The realisation process will be carried out in a way intended to minimise impact and disruption to vulnerable occupiers. It is intended sales will be structured and executed to achieve best value and the Company will consider various forms of property sales including via auction, private treaty, portfolio and individual asset sales. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type and lease terms.

Risk	Mitigation
Return of capital may be delayed and reduced: The Company may not achieve its investment objective of returning available cash to shareholders in a timely manner and returns may be impacted. The return of capital to shareholders may be delayed by a number of factors, including, without limitation, the availability of the distributable reserves necessary for the Company to meet applicable requirements under the Companies Act 2006 to return capital and/or make distributions to shareholders. The returns that shareholders may receive will be subject to deductions for, among other things, direct disposal costs, tax, management fees, the pay down of the existing debt and costs associated with the review and implementation of strategic options as well as the means of returning capital to shareholders. These costs may reduce the sums available for distribution to shareholders in the future.	The Directors intend, following repayment of the Group's outstanding debt, to return capital to shareholders upon the completion of the realisation strategy. The Company's ability to make distributions may be constrained whilst the Company faces potential group litigation and an FCA investigation. In addition, in determining the size of any distributions, the Board will take into account the Company's ongoing costs, and the eventual liquidation costs. Should these costs be greater than expected, or should cash receipts for the realisations of investments be less than expected, this will reduce the amount available for shareholders in future distributions. The most appropriate timing and mechanism to return capital to shareholders will be determined in due course.
Dividend: The Company currently has insufficient distributable reserves. The Directors do not intend to declare dividends in the short term.	The Directors do not intend to declare dividends in the short term.
Borrowing risk: The Group has been operating under periodic debt covenant waivers from and with the support of Scottish Widows. The Directors anticipate Scottish Widows will continue to support the Group until the debt is fully repaid. The Group is reliant on continued Lender support.	Regular meetings are held between the Lender, the Board and AEW to discuss and assess the Group's compliance with banking covenants and agree an appropriate strategy, including waivers, partial repayment of loan facilities and additional fees payable.
Failure to comply with banking covenants or conditions of current waivers could result in the Group's debt becoming repayable on demand and further restrictions on the Group's liquidity.	The Company is implementing a strategy to repay the outstanding borrowings in a timely manner, focused on further property sales. It will be necessary to realise a proportion of the portfolio before 31 December 2024 to meet the requirements of the Lender and repay the outstanding debt. Sales will be structured and executed with the intention to achieve best value and to minimise disruption to the underlying occupiers of the portfolio. The Company anticipates ongoing support of the Lender as it completes this repayment strategy.
The requirement to repay the existing loan facilities in the short term or on demand may result in the Company selling assets at a price lower than that which would otherwise be achieved in an ordinary sale on completion of any planned re-tenanting of the assets. The Lender has stated its objective for repayment of the loan balance by 31 December 2024.	Since AEW's appointment all disposal routes have been considered when selling assets to reduce the outstanding loan balance and provide working capital. However, in conjunction with advice from third party agents, given the nature of a significant number of properties within the portfolio, auction has been considered the most suitable method of disposal to date. It is anticipated that whilst parts of the portfolio may be identified for portfolio and individual sales, some properties will continue to be sold via auction. AEW works with third party service providers at a local level to ensure the timely and structured sale of properties and to mitigate situations where too many properties are offered to the market in specific locations at one time.

Risk	Mitigation
Portfolio concentration may significantly affect the Company's performance: All of the Group's assets are invested in UK property and within a single sector: residential. During the Managed Wind-Down, the value of the portfolio will be reduced as assets are realised and concentrated in fewer holdings, and the mix of asset exposure will be affected accordingly.	Asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity. In addition, given the Company's originally stated objective of providing accommodation for the homeless, the realisation process will be carried out in a way intended to minimise impact and disruption to vulnerable occupiers. It is anticipated that whilst parts of the portfolio may be identified for private treaty and portfolio sales, properties will continue to be sold via auction. AEW works with third party service providers to ensure the timely and structured sale of properties and to mitigate situations where too many properties are offered to the market in specific locations at one time. Given the diverse nature of the portfolio, in terms of location, condition, occupation and geography, certain assets are likely to be more sought-after than others and possibly realised more quickly at more attractive prices in the current market. A decision on the preferred method of disposal will be determined by a number of factors, including property condition, location, tenant type, lease terms, the nature of interested purchasers and market conditions.
Performance of the portfolio – property condition, capital expenditure and non-recoverable property costs: Investor returns will be dependent upon the performance of the Group's portfolio. There are increases in operating and other expenses and cash needs associated with tenant vacancies and unforeseen capital expenditure affecting properties. The comprehensive post period end inspection programme has also led to a significant re-assessment of the quality and suitability of the property assets. Many properties are in need of extensive renovation before they can be occupied or reconfigured to provide an appropriate number of rooms to be suitable for PRS or Supported Living. Under the standard SPA contracts, the Group had limited recourse against the vendor if the vendor did not complete the contractual obligations to improve the property post-acquisition. Furthermore, there were insufficient retentions available to facilitate the completion of works. There is a risk that the Group does not have sufficient liquidity to undertake all required capital expenditure to improve the property condition to ensure all properties are to the standard required for occupation by PRS or supported living/Social Use. The condition of the properties impacts the valuation, rental income, property costs and therefore earnings and the NAV of the Group. The Group may incur vacant property costs on leases surrendered by non-performing tenants including utility costs, repairs and maintenance until properties can either be brought up to standard and re-let or sold to mitigate further expenses.	As part of its strategy to rationalise the property portfolio, AEW had undertaken disposals with initial focus on those properties that were in poor condition, were largely vacant and required significant capital expenditure in order to be brought up to specification. AEW has undertaken a comprehensive inspection programme to ascertain property condition. Analysis of the underlying condition of the properties is paramount to determine suitability, capital expenditure requirements and income and capital return prospects for each asset as AEW works to rationalise the portfolio. AEW has commissioned capital expenditure reports on a sample of properties to determine the capital expenditure requirement of the Group and undertake a cost benefit analysis on a property-by-property basis, taking into account factors such as property location, local demand and quality operating partners and tenants. Capital expenditure requirements and property budgets are included in business plans and cashflow forecasts. AEW agrees property budgets with appointed property managers and approves expenditure. The Board monitors cashflow and performance against business plans with regular updates provided by AEW. Capital expenditure is permitted under the New Investment Policy where it is deemed necessary or desirable by AEW in connection with the Managed Wind-Down, primarily where such expenditure is necessary to protect or enhance an asset's realisable value, or in order to comply with statutory obligations.

Risk	Mitigation
Liquidity risk: There is a risk the Group will have insufficient cash to meet its liabilities due to the current low levels of rent collection, tenant liquidation and the change in leasing model resulting in the Group being responsible in some instances for repairs and maintenance and vacant property costs. The impact of bringing assets to market as part of a public wind-down strategy may also result in changes in rent collection levels and the re-tenanting process due to occupiers and tenants being uncertain over who their future landlord will be. The Company is further incurring high corporate costs as a result of the issues being dealt with by the Company including significant legal, audit and professional fees (including in respect of the financing), and director and officer insurance. Capital expenditure is also permitted under the New Investment Policy where it is deemed necessary or desirable by AEW in connection with the Managed Wind-Down, primarily where such expenditure is necessary to protect or enhance an asset's realisable value, or in order to comply with statutory obligations. The Group's investments are illiquid and may be difficult to realise at a particular time which could put the Group's cash requirements under further strain. The Group has been operating under periodic debt covenant waivers from and with the support of Scottish Widows and the Directors anticipate they will continue to support the Group until the debt is fully repaid. Failure to comply with banking covenants or conditions of current waivers could result in the Group's debt becoming repayable on demand and further restrictions on the Group's liquidity.	The Board monitors the cash position and seeks regular advice on its obligation and liabilities. The Group is reliant on continued Lender support until repayment of the outstanding debt. AEW maintains a 13-week cash flow forecast which is updated at least bi-weekly in addition to an 18-month medium term cashflow. The Board and AEW has a procedure for the approval of significant capex and unbudgeted expenses. Regular meetings are held between the Lender, the Board and AEW to discuss and assess the Company's compliance with banking covenants and conditions of current waivers to agree appropriate strategies, including waivers and partial repayment of loan facilities. The Company has announced a strategy of repaying the outstanding debt through additional properties sales. AEW is developing its disposal strategy for continued auction sales and sales by private treaty, individual and portfolio sales. Net proceeds from realisations will first be used to repay borrowings, with excess cash placed on sterling only deposits and/or held as cash equivalent securities, other cash equivalents, cash funds or bank cash deposits, pending its return to shareholders.
Political and regulatory risk: Changes in laws or regulations governing the Company's operations, including changes to homelessness legislation, may adversely affect the Company's business.	Change in government funding around housing benefit (for example) is considered an unlikely risk at this stage, however, the Group will continue to monitor any potential change.
Real Estate sector	
Property market – residential including Social Use and Supported Living: Performance will be subject to the condition of property markets in the UK including sector sentiment on residential including Social Use and Supported Living. A significant downturn in the underlying value of the Group's investment property would impact shareholder returns and ability to repay the outstanding loans. Factors include inter alia general economic climate, excess supply or fall in demand for properties and changes in laws or government regulations.	Post period end, AEW has undertaken a comprehensive inspection programme via third parties to assess the quality and suitability of the assets. AEW's assessment of each property including suitability, capital expenditure requirements and income and capital return prospects takes into account factors such as property location, local demand and quality operating partners and tenants. AEW reports its strategy and progress against business plans for portfolio rationalisation and re-tenanting to the Board on a regular basis.

Risk	Mitigation
Tenant default and liquidation: Failure by tenants to comply with their rental obligations and tenant liquidations affects the ability of the Group to pay dividends and meet banking covenants associated with its borrowings. As at 31 August 2022, 17 of the 29 tenants are of weak covenant strength representing 68.3% of properties and 66.6% of annual contracted rent as at that time. One tenant had entered administration as at 31 August 2022 and a further 11 tenants entered into voluntary administration post period end, representing 53.9% of properties and 62.1% of annual contracted rent as at 31 August 2022. The impact of bringing assets to market as part of a public wind-down strategy may also result in changes in rent collection levels and the re-tenanting process due to occupiers and tenants being uncertain over who their future landlord will be.	AEW determined that the majority of tenants were poorly capitalised and lacked long term operating track records. For tenants considered non-performing or unsuitable, AEW seeks to negotiate surrender of the leases to take back control of the underlying properties to either let directly as PRS or re-let to a housing provider for Supported Living. Material decisions in respect of lease surrenders and any write offs of arrears are approved by AEW's Investment Management Committee prior to approval by the Board. Where lease surrenders cannot be agreed commercially, AEW has taken action against the tenants which can include statutory demands, forfeiture and winding up petitions. In the few instances where the CIC is performing well, the leases will remain in place, although terms may be varied. AEW is continuing to identify and assess potential prospective tenants and quality providers of social housing and support services for properties suitable for occupation. In accordance with AEW's processes, it will seek to undertake stringent covenant analysis and due diligence on all proposed tenants. AEW provides regular updates to the Board on its strategy by tenant and the progress against business plans.
Property Valuations: Property valuation is inherently subjective and uncertain. Valuations are subject to uncertainty and may not reflect actual sales prices realised by the Group. Realisations will vary, and it is anticipated that there will be both positive and negative variance from sales prices to valuations during the Managed Wind-Down. The reasons for such a variance are considerations such as changes in the housing market, changes in condition or occupation of the property since valuation, method of sale (portfolio, auction, private treaty), tenant, rent payment, lease structure and information availability.	The Board has appointed an experienced independent external valuer, JLL, with relevant and recent experience. JLL considers the quality and the suitability of the assets, the covenant strength of the tenant and the rental value for the existing use and LHA rates. JLL uses a combination of the investment approach and MV-VP (46.3% of the portfolio value as at 31 August 2022). Where a valuation is prepared on an investment basis, limitations on the duration of the income streams are applied to account for the covenant strengths of the tenants, and the rent levels demanded under the leases. AEW will continue to assess the portfolio as part of the portfolio rationalisation. Properties will be sold through a combination of auction, portfolio and individual sales as AEW seeks to maximise value. The performance of key service providers is regularly reviewed by the Board.
Shares	
Restoration of trading of shares: The listing of the Shares was suspended on 3 January 2023 due to the Company not filing accounts within four months of year end. There is a risk that the Shares are permanently delisted from the London Stock Exchange. Once the Shares are relisted, there is the risk of significant sale of Shares by investors may cause the market price of the Shares to fall.	The Board and its advisers regularly engage with the FCA and Companies House in relation to the continued delays to the filing of the Group's accounts. The Board, AEW and Liberum have been actively engaging with shareholders during the period of suspension including monthly updates and shareholder presentations. In advance of relisting of the Shares, the Chair and AEW will engage with shareholders through a series of meetings.
Volatility of share price during the Managed Wind-Down: The Company may experience volatility in its share price, both as a function of volatility in its net asset value and a reduction in share liquidity as capital is returned to shareholders, which may result in a continued or possibly wider discount to net asset value.	The Board, AEW and Liberum have been actively engaging with shareholders including monthly updates and shareholder presentations. The Company will continue to provide regular updates during the Managed Wind-Down, however, the level of disclosure included will be reviewed throughout the process in order to protect the Company's commercial interests and allow disposals to be completed in a manner that preserves shareholder value.

Risk	Mitigation
Shareholders ability to continue to hold shares: If the Company ceases to maintain REIT status the Company's shares will also cease to be "excluded securities" under the FCA's rules on non-mainstream pooled investments which may have an impact on the ability of certain investors to continue holding the Company's shares.	AEW and the Company's specialist tax adviser monitor compliance with the REIT regime and liaise regularly with HMRC. The Company will make appropriate announcements in the event of the Company ceasing to maintain its REIT status.
Engagements with third party service providers	
Reliance on the performance of AEW and other key service providers: The Company has no employees and is reliant upon the performance of AEW and other third party service providers. Failure by AEW and/or any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of AEW to retain its existing staff and/or to recruit individuals of similar experience and calibre.	Following a rigorous selection process, the Board appointed AEW as Property Adviser on 22 May 2023 and as Investment Manager and AIFM on 21 August 2023 following shareholder approval of the Amended Investment Policy. In order to align AEW's interest with those of shareholders, AEW's fee includes performance elements in relation to rent collection and disposals during the Stabilisation Period subject to an overall cap. AEW's performance is closely monitored by the Board with regular review including key staff and general resourcing. Performance of the key service providers is monitored by the Board through its Management Engagement Committee ("MEC"). The MEC performs a formal annual review of the ongoing performance of AEW and other key service providers and makes recommendations to the Board about their continuing appointment. The Board will undertake a rigorous selection process for any key service provider appointments.
Replacement of key service providers could disrupt the business, causing potential issues and delays in reporting.	With due consideration to the events that have occurred and the failure of several key service providers to raise material matters or concerns with the Board, for good governance, the Board expected to tender all key services providers except AEW, JLL and Liberum. The Board expected to undertake a phased replacement of key service providers in order to ensure continuity of service and reduce the potential impact on the business. AEW commenced tendering of several key service providers, however due to the Managed Wind-Down, the Board is considering whether the current service providers should remain in place. The MEC and the Board will continue to monitor the performance of key service providers and determine whether continued engagement remains appropriate.
Intensive Housing Managers (IHM) and property managers Risk: As part of the Amended Investment Policy, the Group has appointed third party specialists including IHM and property managers. This will result in additional cost to the Group.	AEW agrees budgets and controls around expenditure with the IHM and property managers in accordance with contractual agreements. AEW monitors expenditure against budgets and provides regular reporting to the Board on properties subject to IHM and property management agreement.
In some instances, property managers used by non-performing tenants may be appointed by the Company due to their knowledge of the underlying properties and existing relationships with occupiers in order to facilitate rental collection.	Where possible, AEW negotiates contracts with IHM and property managers on a flexible basis to provide stability and continuity of service until longer term strategies can be implemented.
AEW may not have had previous experience or relationships with these service providers and the quality of the service may be unknown.	AEW undertakes appointments in accordance with its supplier selection and monitoring procedures including undertaking due diligence on service providers, negotiating service level agreements and key performance indicators.

Risk	Mitigation
Business interruption: Cyber-attacks on AEW's and/or other service providers' IT systems could lead to disruption, reputational damage, regulatory (including GDPR) or financial loss to the Company.	The Company's key service providers have business continuity plans in place. AEW and other service providers' staff are capable of working remotely for an extended time period. AEW's and other service providers' IT systems are protected by anti-virus software and firewalls that are updated regularly.
Taxation	
Compliance with REIT rules: Failure to comply with the REIT rules and other regulations may have a negative impact on the Company. The Board expects that the Company will continue to fulfil the relevant conditions to qualify for UK REIT status in the short term. However, the requirements for maintaining REIT status are complex. As the Managed Wind-Down progresses, the Company cannot guarantee that it will maintain continued compliance with all of such conditions, particularly in its latter stages when the portfolio has been fully realised. The basis of taxation of any shareholder's shareholding in the Company may differ or change materially if the Company fails or ceases to maintain its REIT status.	AEW and the Company's specialist tax adviser monitor compliance with the REIT regime and liaise regularly with HMRC.
Governance, regulatory compliance and litigation	
FCA regulations and investigation: Failure to comply with FCA regulations and adverse findings from pending investigations may have a material adverse impact on the Company's profitability (because of possible fines), the NAV and the price of the Shares. As a result of the FCA investigation into the Company, (becuase of the possible fines), the ability of the Company to make distributions to shareholders may be constrained, in whole or in part.	The Board seeks regular advice from its advisers and has confirmed the Board will co-operate fully with the FCA investigation.
Risk of potential litigation from shareholders or a group action against the Group: As a result of the potential shareholder group litigation into the Company and the Company's Directors who were in office at IPO, the ability of the Company to make distributions to shareholders may be constrained, in whole or in part.	The Company intends to defend itself vigorously in respect of the threatened litigation and has denied the allegations made against it. The Board is regularly engaging with its advisers on potential exposure to litigation. The Board has appropriate D&O Insurance in place.

Risk	Mitigation
Board – replacement, experience and succession: All of the Board members who were in office at IPO have announced their intention to stand down after the publication of the annual results for 2022 and 2023. The new Directors may lack historical knowledge of issues encountered by the Group.	Since January 2024, the Company has appointed a new Independent Non-Executive Chair, a Senior Independent Non-Executive Director (and MEC chair designate) and a Non-Executive Director who will become audit chair in due course. In assembling the new Chair and Directors, careful consideration has been given to the appropriate skills, experience, knowledge, culture, capacity and independence of the incoming Board members. Post resignation from the Board, Lynne Fennah will become a consultant to the Board of the Company to provide continuity and will use her invaluable experience and knowledge of the Company to support the Board and the Company's advisers. The Board, through its Nomination Committee, will review its composition on a regular basis and will develop a succession plan at the appropriate time.
Health and Safety (H&S) risk: The Group and the Board have responsibility for certain H&S matters. Failure to have appropriate H&S procedures and processes may result in regulatory fines and reputational risk.	H&S is a standard priority agenda item for Board meetings. The Board has received a summary of its responsibilities under various scenarios given the change in leasing model which now includes direct leasing to occupiers. AEW has an established H&S Committee and reports regularly on H&S matters to the Board. AEW also notifies tenants regularly of their responsibilities and communicates any non-compliance issues identified requesting evidence of remediation. Property managers are obligated to provide regular reporting on H&S compliance. AEW will undertake spot checks of compliance.

Going concern and viability statement

The Directors, at the time of approving the financial statements, are required to consider whether they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to their going concern status.

As discussed in Note 26 to the Consolidated Financial Statements, shareholders approved the New Investment Policy on 16 September 2024 for the Managed Wind-Down. The Group will not make any further real estate acquisitions and will not make any further investment. Capital expenditure will be permitted where it is deemed necessary or desirable to protect or enhance an asset's net realisable value or in order to comply with statutory obligations.

Cashflow projections have been prepared by AEW and agreed with the Board which consider:

1. The expected orderly disposal of properties through a combination of private treaty and auction sales. The Board expects that substantially all properties will be sold no later than 30 June 2025.
2. Revenue will continue to be collected on properties held by the Group.
3. Expenses are forecast to continue to be incurred at the current level for those services required for the continued operation of the Group. Notice periods have been considered where necessary and the majority of operations are expected to have concluded by 31 December 2025, when the annual report and accounts for the year ended 31 August 2025 are required to be filed.

As discussed in Note 10 to the Consolidated Financial Statements, the Group has been operating under periodic debt covenant waivers from and with the support of the Lender with the latest waiver extending to 31 October 2024. The Lender has stated that it expects that both facilities and their associated interest and Deferred Fees to be fully paid by 31 December 2024. On this basis, the Directors believe that the Lender will continue to support the Group until the debt is fully repaid. However, there is no guarantee that the Lender will continue to extend its support beyond the date of the latest waiver letter.

Since beginning property sales in August 2023, the average discount from the 31 August 2022 JLL valuation is 11.4% and 13.2% if August 2023 through November 2023 sales are excluded, as this evidence was used by JLL as part of the valuation process (1.9% and 3.0% average discount from 31 August 2023 valuation respectively). This discount occurs generally because at the auction date:

1. The Group did not receive from AHRA or from non-performing tenants, and therefore cannot produce, critical information that buyers require, such as underlying occupancy, tenant and income information and property compliance certificates; and
2. The Group's advisers have experienced issues with accessing properties because of tenant imposed limitations or due to poor management by the non-performing tenants, which negatively impacts marketing including producing full information particulars.

The Group has been selling properties that are in poor condition in order to minimise operating liabilities and risks. In order to maximise sales proceeds from future sales, AEW is prioritising selling properties which the Group controls and holds complete information for marketing. However, considering the past shortfall to the valuations and as a contingency to ensure the Company can fully repay the Lender and provide adequate working capital to fund operations, the Group is planning on selling a minimum of a further £25 million of property in the period to 31 December 2024. The remaining properties are expected to be sold in the period to 30 June 2025.

The Company has received a pre-action letter of claim which asserts that the Company provided information to investors which was false, untrue and/or misleading and as a result investors suffered losses. The Directors are not currently able to conclude whether or when a formal claim may be issued and if a claim is issued, what the quantum of such claim may be. Further, on 12 February 2024, the Company was notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023. The Company and the Directors are cooperating with the FCA in its investigation. However, they are not able to assess or quantify what, if any, action may be taken. Until the Directors have better visibility into the ultimate exposure of these and any other contingent liabilities, they will not be able to satisfy themselves as to what if any reserves of excess cash will be required to settle these matters. When the Directors are able to estimate the range of exposure, the Company intends to return any estimated surplus capital to investors, whilst maintaining a prudent level of cash to wind down the Company and Group and considering any other eventualities.

As a result of (i) uncertainty over the timing of asset sales, (ii) risks around continued Lender support, (iii) the threatened litigation, (iv) the FCA investigation and (v) the Directors' expectation for an orderly wind-down of the Company's operations, the Directors consider it appropriate to adopt a basis of accounting other than as a going concern in preparing the financial statements. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis.

Approval of the Strategic Report

The Strategic Report was approved by the Board and signed on its behalf by:

Michael O'Donnell
Chair

10 October 2024

Governance

The Board

All the Directors are non-executive and independent of Alvarium FM, AHRA and AEW. The Directors of the Company who were in the office during the period and up to the date of signing the Annual Report and financial statements were:

Michael O'Donnell, Chair of the Board and the Nomination Committee (appointed 18 January 2024)

Michael O'Donnell is Chair of the Board since his appointment on 18 January 2024. He is also a Non-Executive Director and Chair of the Remuneration Committee of Big Yellow Group PLC, a FTSE 250 self-storage company. Michael has over 30 years of experience, 15 of which has been dedicated to Non-Executive Director roles at a range of companies across the healthcare, real estate, residential, education and business services sectors including Helical plc (where he also chaired the Remuneration Committee), BMI Healthcare, Cygnet Healthcare, Esland Care and Dental Partners.

Michael has extensive experience in complex restructuring situations including insolvency processes and has held several creditor side board appointments. Prior to roles as a Non-Executive Director, he spent 11 years in private equity at LGV Capital (a subsidiary of Legal & General) and prior to that eight years in corporate finance at Morgan Grenfell and BZW. Michael has a Batchelor of Commerce degree from University College Dublin.

Peter Cardwell

Peter Cardwell served as a Special Adviser in the UK government from 2016 to 2020. He worked for four Cabinet ministers in four departments: the Northern Ireland Office; the Home Office; the Ministry of Housing, Communities & Local Government; and the Ministry of Justice. At the Ministry of Housing, he advised Housing Secretary Rt Hon James Brokenshire MP on homelessness. Rough sleeping dropped by 2% and then 9% annually as a result of the policies on which Peter advised. He also undertook outreach shifts with sector charities whilst advising on homelessness and had frequent interactions with organisations such as Shelter, Thames Reach and Crisis.

After being educated in Northern Ireland, Peter studied at St Hugh's College, Oxford, before winning a Fulbright Scholarship to Columbia School of Journalism, New York. Now Political Editor and presenter at Talk Radio, he has worked for the BBC in London, Washington DC, New York and Belfast, as well as for Sky News, Channel 5 News, UTV and ITV.

Rod Day (appointed 7 June 2024)

Rod Day is an Independent Non-Executive Director of the Board and Audit Committee Chair designate. A qualified accountant with an MBA from London Business School, he has over 30 years of business experience having held senior roles in strategy and finance for a number of leading international organisations. In an executive capacity his career highlights include working for Iron Mountain Inc (2008-2016), where he latterly acted as Global CFO leading strategic M&A and was instrumental in its conversion to a REIT; AOL Europe (2001-2008), where he acted as CFO in his final two years at the business, and at Kingfisher plc in various strategy and business planning roles (1994-2001). He also worked for a number of years at OC&C strategy consultants.

Since 2017 Rod has undertaken a series of business advisory and board roles. He has been interim CFO and Board member at a number of companies including RWS plc, a UK listed translation company; Cobham Group, the UK's largest aerospace and defence company where he was finance lead on various divestitures; and V Ships, a world leading shipping supplies company. He has also acted as a senior adviser to Cerberus Capital.

Lynne Fennah

Lynne was the Chair of the Company and the Nomination Committee until 18 January 2024. She joined Empiric Student Property plc in June 2017 and had held the position of Chief Financial and Sustainability Officer until her retirement in May 2023. During her tenure at Empiric, she oversaw all financial and taxation matters and led on the operational transformation of the business including an extensive in-sourcing programme. Lynne was also the Vice Chair of the Student Accommodation Committee of the British Property Federation. In 2012, she joined Palmer Capital, an FCA authorised real estate investment management company, as CFO with responsibility for overseeing the company's financial and taxation matters. Lynne became European CFO for the Toga Group in 2008, with responsibility for the development of hotels and management of commercial property investments.

Lynne joined The Goodwood Estate being promoted to Finance and IT Director in 2005, a board position with responsibility for the finances of all group companies across a portfolio of primarily hospitality focused operations. In 1995, Lynne joined American Express and during her tenure held positions in corporate audit and travel business reporting, both roles covering the EMEA region, and a globally focused process re-engineering project role. After obtaining a degree in finance at Liverpool John Moores University, Lynne joined Moore Stephens and qualified as a Chartered Accountant, where she covered all aspects of general practice with a particular focus on audit.

Simon Moore, Chair of the Management Engagement Committee

Simon Moore was the Senior Independent Director until 2 April 2024. He has over 30 years' experience in the UK financial sector including at NatWest Bank, Williams de Broë, Teather & Greenwood and Collins Stewart. He was Senior Investment Manager at Seven Investment Management and Head of Research at Tilney Bestinvest. Simon has been a long-standing member of two important committees at the Association of Investment Companies: the Statistics Committee and the Property and Infrastructure Forum (he was Chairman of the latter). He has been a Director of Athelney Trust (LSE: ATY) since 2015.

He has a Biochemistry BSc from Imperial College and an MSc in Computer Modelling of Molecules from Birkbeck College.

Peter Williams, Senior Independent Director (appointed 2 April 2024)

Peter Williams is the Senior Independent Non-Executive Director of the Board and Management Engagement Committee Chair designate of Home REIT plc. A qualified Chartered Accountant, he has over 30 years of Board level experience achieved in both an executive and non-executive capacity. Peter is currently Chairman of ACS Clothing, the sustainable fashion enabler, a non-executive director at SGS Group, the owner of shopping and leisure centres at Lakeside, Watford, Nottingham and Braehead; and is a trustee of both Somerset House in London and the Architectural Fund.

During his career he has been involved in significant corporate activity in relation to buying and selling companies, IPOs and restructuring. Peter's experience in capital reconstructions include those of JJB, Blacks, EMI and Jaeger working with both equity shareholders and debt providers. He has led or played a leading role in five IPOs including Selfridges (to which he was Chief Financial Officer and subsequently Chief Executive), Cineworld, boohoo, Domino's in Turkey, and Mister Spex. His extensive non-executive experience includes Board roles at Rightmove, Superdry, Cineworld, Gcap Media, Capital Radio, U+I, Sophia Webster, Sportech, Silverstone, Erno Laszlo and Miinto A/S.

Marlene Wood, Chair of the Audit Committee

Marlene Wood is a chartered accountant with a broad range of experience in both the private and public sectors. She is currently a non-executive director and chair of the audit committee of RM Infrastructure Income PLC. She was formerly a non-executive director and chair of the audit committee of GCP Student Living plc and Atrato Onsite Energy plc.

Until 2019, she was Deputy Chair and Chair of the Finance Committee of the Scottish Funding Council for Further and Higher Education. She spent 20 years with the Miller Group, a major UK property business, predominantly as finance director for Miller Developments, the property development and investment arm, and latterly as group accounting and treasury director.

Directors' report

The Directors present their report for the year ended 31 August 2022. In accordance with the Companies Act 2006 (the "Act"), the Listing Rules and the Disclosure Guidance and Transparency Rules, the Corporate Governance Statement, Directors' Remuneration Report, Reports from the Audit Committee, Nomination Committee and Management Engagement Committee, and the Statement of Directors' Responsibilities should be read in conjunction with one another, and the Strategic Report. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, as the Board considers them to be of strategic importance. These include the below:

- Description of the business model can be found beginning on page 29.
- Likely future developments and outlook are contained within the Chair's Statement on pages 13 and 14.
- Important events affecting the Group which have occurred since the end of the financial year are set out on pages 9 to 14 and in Note 26 to the Consolidated Financial Statements.

Directors

The Directors in office at the date of this Report are as shown on pages 45 and 46. Lynne Fennah, Marlene Wood, Peter Cardwell and Simon Moore were appointed to the Board on 3 September 2020. Lynne Fennah stepped down as Chair on 18 January 2024 when Michael O'Donnell was appointed as Chair. Peter Williams was appointed on 2 April 2024 and Rod Day was appointed on 7 June 2024.

Details of the Directors' terms of appointment can be found in the Directors' Remuneration Report.

Corporate governance

The Corporate Governance Statement on page 51 forms part of this Directors' Report.

Dividends

On 15 September 2021, the Company declared a dividend of 0.84 pence per Share in respect of the period from 1 May 2021 to 31 August 2021, which was paid on 22 October 2021 to shareholders on the register as at 24 September 2021. This dividend was paid as a PID.

On 27 January 2022, the Company declared a dividend of 1.37 pence per Share in respect of the period from 1 September 2021 to 30 November 2021, which was paid on 25 February 2022 to shareholders on the register as at 4 February 2022. This dividend comprised 1.27 pence per Share as a PID and 0.10 pence per Share as a non-PID dividend.

On 5 May 2022, the Company declared a dividend of 1.37 pence per Share in respect of the period from 1 December 2021 to 28 February 2022, which was paid on 10 June 2022 to shareholders on the register as at 13 May 2022. This dividend was paid as a PID.

On 4 August 2022, the Company declared a dividend of 1.38 pence per Share in respect of the period from 1 March 2022 to 31 May 2022, which was paid on 9 September 2022 to shareholders on the register as at 12 August 2022. This dividend was paid as a PID.

Post year end, on 12 December 2022, the Company declared a further interim dividend of 1.38 pence per Share in respect of the period from 1 June 2022 to 31 August 2022, which was paid on 20 January 2023 to shareholders on the register as at 23 December 2022. This dividend was paid as a PID.

Therefore, the Group's total dividends in respect of the year ended 31 August 2022 were 5.50 pence per Share.

Capital structure

Issue of Shares

A Prospectus was issued by the Group on 2 September 2021 in respect of an Open Offer, Initial Placing, Intermediaries Offer and Offer for Subscription of new Shares in the capital of the Group, together with the implementation of a 12-month Placing Programme (together, the "Share Issuance Programme"). Pursuant to the Circular published by the Company on 2 September 2021, at the General Meeting held on 20 September 2021, the shareholders approved the resolutions in respect of the Share Issuance Programme and the dis-application of pre-emption rights when allotting those Shares.

Pursuant to the authorities granted under the Share Issuance Programme, the Group issued:

- 321,100,917 Shares at an issue price of 109 pence per Share on 23 September 2021, with an aggregate nominal value of £3,211,000, raising gross proceeds of £350 million. 91,229,256 new Shares were issued pursuant to the Open Offer, 206,083,058 new Shares were issued pursuant to the Initial Placing, 13,812,751 new Shares were issued pursuant to the Offer for Subscription, and 9,975,852 new Shares were issued pursuant to the Intermediaries Offer. The Shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 27 September 2021.

- 228,899,083 Shares at an issue price of 115 pence per Share on 27 May 2022, with an aggregate nominal value of £2,289,000, raising gross proceeds of £263 million. These Shares were allotted by way of a placing of new Shares. The Shares were issued to institutional investors and professionally advised private investors and admitted to trading on the Premium Segment of the London Stock Exchange's Main Market on 31 May 2022.

The above Shares issuances were made at a price of not less than the net asset value per Share at the time of issue plus an amount to cover the cost. The authorities granted under the Share Issuance Programme expired on 2 September 2022.

Purchase of Shares

At the AGM held on 27 January 2022, the Directors were granted authority to purchase up to 14.99% of the Group's ordinary Share capital in issue at that date on which the Notice of AGM was published, amounting to 84,194,540 Shares. This authority expired at the conclusion of AGM of the Company held in February 2023. Shares bought back by the Company may be held in treasury, from where they could be reissued at or above the prevailing net asset value quickly and cost effectively. This provides the Company with additional flexibility in the management of its capital base. The Company did not purchase any of its Shares during the year pursuant to this authority, nor did any nominee or third-party with the Group's assistance acquire any Shares on behalf of the Company. No Shares were held in treasury during the year or at the year end.

Current share capital

As at 31 August 2022, and at the date of this Report, the Group's issued share capital comprised 790,570,465 Shares, each of 1p nominal value. At general meetings of the Group, ordinary shareholders are entitled to one vote on a show of hands and, on a poll, to one vote for every Share held. At 31 August 2022, and at the date of this Report, the total voting rights in the Group were 790,570,465.

Significant shareholders

As at 31 August 2022, the Company had been notified of the following disclosable interests in the share capital of the Group:

Name	Number of Shares	% of total voting rights
BlackRock Investment Management (UK) Limited	95,666,248	12.10
M&G Investment Management Limited	77,579,955	9.81
Rathbone Investment Management Ltd	37,229,497	4.71
J M Finn & Co	24,031,160	3.04

Since 31 August 2022 and up to the date of this Report, the Company has been informed of the following notifiable shareholdings in the share capital of the Company:

Name	Number of Shares	% of total voting rights
M&G Investment Management Limited	124,703,853	15.77
BlackRock Investment Management (UK) Limited	75,916,498	9.60
Liontrust Asset Management PLC	45,273,414	5.73
Sarasin & Partners LLP	41,529,624	5.25
Vanguard Group Inc	35,573,131	4.50

Shareholder rights

The following information is disclosed in accordance with The Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and DTR 7.2.6 of the FCA's Disclosure Guidance and Transparency Rules:

- the Group's capital structure and voting rights and details of the substantial shareholders in the Group are set out in the previous page of this section;
- an amendment to the Company's articles of association (the "Articles") and the giving of powers to issue or buy back the Company's Shares requires an appropriate resolution to be passed by shareholders. Proposals to grant powers to the Board to issue and buy back Shares will be set out in the notice of the General Meeting at which these accounts will be laid in front of shareholders; and
- there are no restrictions concerning the transfer of securities in the Company; no restrictions on voting rights; no special rights with regard to control attached to securities; no agreements between holders of securities that may restrict their transfer or voting rights, as known to the Company; and no agreements which the Group is party to that might affect its control following a successful takeover bid.

Requirements of the Listing Rules

Listing Rule 6.6.1 requires the Company to include specified information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 6.6.1(6) in relation to allotments of Shares is set out on pages 47 and 48. The Directors confirm that no additional disclosures are required in relation to Listing Rule 6.6.1.

Independent professional advice, insurance and indemnity

Details regarding independent professional advice, insurance and indemnity are set out in the Corporate Governance Statement beginning on page 51.

Energy and Carbon reporting

The Group is required to disclose the annual quantity of emissions as per the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013, and The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The Group however believes that it does not have any reportable emissions as this predominantly falls under the tenant's responsibility as part of their FRI leases, whilst the emissions from other areas such as Group offices fall under the responsibility of other parties. Notwithstanding that, the Group intended to undertake an emissions data collection exercise with its tenants to understand the energy intensity of the properties and to ultimately agree energy use reduction targets with the tenants. Given the issues the Group has faced, this has not been pursued with tenants.

The Group is also not formally required to report under the Task Force for Climate-Related Financial Disclosures. This will be considered for future reporting periods.

Management arrangements

AIFM

During the year under review, Alvarium FM was the Company's AIFM. Alvarium FM is regulated in the conduct of investment business by the FCA and was, for the purposes of the AIFMD and the rules of the FCA, a 'full scope' UK alternative investment fund manager with a Part 4A permission for managing AIFs, such as the Company.

The Company and Alvarium FM had entered into the IMA under which Alvarium FM had agreed to provide the Company with portfolio management and risk management services. Under the IMA, Alvarium FM received a fee of £40,000 per annum. No performance fee was payable to Alvarium FM.

The IMA could be terminated on 12 months' written notice, such notice to expire on or at any time after the fifth anniversary of the first admission of the Company's Shares to the FCA's Official List and trading on the London Stock Exchange's main market, which became effective on 12 October 2020.

On 25 May 2023, the Company and Alvarium FM agreed by way of variation agreement, as further varied on 18 July 2023, that the IMA would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 21 August 2023, the Company terminated the IMA on the appointment of AEW as the Investment Manager and AIFM.

Investment Adviser

AHRA was appointed under the IAA as the Investment Adviser to provide certain services in relation to the Company and its portfolio, including sourcing investments for acquisition by the Group and due diligence in relation to proposed investments.

Under the terms of the IAA, AHRA was entitled to a fee payable monthly as detailed below:

The investment advisory fee was an amount calculated in arrears in respect of each month, in each case based upon the net asset value of the Company on the following basis:

a) One-twelfth of 0.85%, per calendar month of net asset value up to and including £500 million;

b) One-twelfth of 0.75% per calendar month of net asset value above £500 million up to and including £750 million; and

c) One-twelfth of 0.65% per calendar month of net asset value above £750 million.

No performance fee was payable to AHRA. The fees paid to AHRA during the year is detailed in Note 6 to the Consolidated Financial Statements.

The IAA could be terminated on 12 months' written notice, such notice to expire on or at any time after the fifth anniversary of the first admission of the Shares to the FCA's Official List and trading on the London Stock Exchange's main market, which became effective on 12 October 2020.

On 15 March 2023, the Board agreed with AHRA by way of letter of agreement that the Company was entitled to terminate the IAA on or before 30 June 2023. On 30 June 2023, the IAA was terminated.

Other service providers

Details of the terms of engagement between the Company and its other key service providers, such as the Administrator, the Company Secretary, the Depositary and the Registrar, are set out in the Prospectus issued by the Group on 2 September 2021.

JLL was appointed independent Valuer to the Group on 18 July 2023. Fees payable in respect of valuations for the year end 31 August 2022 were £900,000 with initial inspection fees of £25,000.

Continuing appointment of the Investment Manager

The Board keeps the performance of the Investment Adviser (or Investment Manager) under continual review. The Management Engagement Committee ("MEC"), comprising all Directors, conducts an annual review of the Investment Adviser's (or Investment Manager's) performance and makes a recommendation to the Board about its continuing appointment.

The information reported to the MEC and to the Board by AHRA, Alvarium FM and other external parties provided the Board with comfort, at the time, that AHRA had executed the Group's investment strategy according to the Board's expectations. In January 2023, the Board instructed A&M to conduct an investigation into allegations of wrongdoing. Due to information that came to light which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period together with low rent collection and further evidence of material information being withheld from the Board, the Board reviewed the continued appointment of Alvarium FM and AHRA and on 15 March 2023 agreed with AHRA by way of letter of agreement that the Company was entitled to terminate the IAA on or before 30 June 2023. On 30 June 2023, the IAA was terminated. On 25 May 2023, the Company and Alvarium FM agreed by way of variation agreement, as further varied on 18 July 2023, that the IMA would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 21 August 2023, the Company terminated the IMA.

As detailed above, AEW was appointed Investment Manager and AIFM on 21 August 2023. The Management Engagement Committee, comprising all Directors at the time, have reviewed the performance of AEW since appointment and accordingly, the Directors believe that the continuing appointment of AEW, on the terms agreed, is in the best interests of the Group and its shareholders as a whole. Further details are set out in the Report from the Management Engagement Committee beginning on page 67.

Financial risk management

Information about the Group's financial risk management objectives and policies is set out in Note 14 to the Consolidated Financial Statements.

Auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor, BDO, is aware of such information.

By order of the Board

Apex Fund and Corporate Services (UK) Limited
10 October 2024

Corporate governance statement

This Corporate Governance Statement forms part of the Directors' Report.

Introduction

In this Corporate Governance statement, the Company reports on its compliance with the AIC Code, sets out how the Board and its Committees have operated during the year and describes how the Board exercises effective stewardship over the Company's activities in the interests of shareholders. The Board is accountable to shareholders for the governance of the Company's affairs and is committed to maintaining the highest standard of corporate governance for the long-term success of the Company.

The Company reviews its standards of governance against the principles and recommendations of the AIC Code, as published in 2019. The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders as it addresses all the principles set out in the UK Code of Corporate Governance (the "UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies and is endorsed by the Financial Reporting Council ("FRC"). The terms of the FRC's endorsement mean that AIC members who report against the AIC Code fully meet their obligations under the UK Code and the related disclosure requirements contained in the Listing Rules of the FCA. A copy of the AIC Code can be found at www.theaic.co.uk. A copy of the UK Code can be obtained at www.frc.org.uk.

Statement of compliance

Pursuant to the Listing Rules of the FCA, the Company is required to provide shareholders with a statement on how the main and supporting principles set out in the AIC Code have been applied and whether the Company has complied with the provisions of the AIC Code. The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company as a REIT and the Company as a whole.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

The Board considers these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board has reviewed the principles and recommendations of the AIC Code and considers that it has complied throughout the year, except that the Chair of the Board is a member of the Audit Committee, contrary to Provision 29 of the AIC Code. The Board believes it is appropriate for the Chair of the Company to be a member of the Audit Committee as both the current and previous Chair of the Board (Michael O'Donnell since 18 January 2024 and Lynne Fennah respectively) have recent and relevant financial experience and provide a valuable contribution to the Committee's operations and its interaction with the Board. With the Directors in office at IPO intending to step down on publication of the 2023 annual report and accounts, the current Chair's involvement in the operations of the Committee will provide essential continuity.

Given the material events that have occurred since the year end, the Board has considered its compliance with principles and recommendations of the AIC Code. The Board considers that it consistently met the level of oversight and governance that was required by the AIC Code. The Board has substantial real estate, financial, commercial and sector experience and has established appropriate committees (including Audit Committee and Management Engagement Committee), which met, and continue to meet, on a regular basis. As was specifically drawn to the attention of investors in the IPO prospectus, as an externally managed investment company, the Company delegates key executive functions to third-party service providers. The Company and the Board is reliant upon the performance of these third-party service providers and reliant upon these service providers to carry out their obligations to the Company in accordance with the terms of their appointment. Further to allegations of wrongdoing in November and December 2022, the Board instructed A&M to investigate allegations of wrongdoing in early January 2023. Subsequently, as detailed further on page 57, material information has come to light which is in contradiction to the reporting provided to the Board and Board Committees during the relevant period.

The Board has further considered its risk management framework, internal control systems, procedures and processes as a result of the material events that have taken place since the year end. Further information is provided below in the Risk Management and Internal Control section and further detail on the Company's governance is provided in Appendix 2.

The Board

Under the leadership of the Chair, the Board is collectively responsible for the effective stewardship of the Company's affairs and the long-term success of the Group, generating value for shareholders and contributing to wider society. It establishes the purpose, values and strategic aims of the Company and satisfies itself that these and its culture are aligned. The Board ensures that the necessary resources are in place for the Company to meet its objectives and fulfil its obligations to shareholders within a framework of high standards of corporate governance and effective internal controls. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Directors possess a wide range of business and financial expertise relevant to the direction of the Group and consider that they commit sufficient time to the affairs of the Group. All Directors act in a non-executive capacity.

Brief biographical details of the Directors, including details of their significant commitments, can be found on pages 45 to 46.

Chair

Lynne Fennah was the Chair of the Company during the year. The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair demonstrates objective judgement, promotes a culture of openness and debate, and facilitates effective contributions by all Directors. In liaison with the Company Secretary, the Chair ensures that the Directors receive accurate, timely and clear information to the extent possible with the limitation on the accuracy and completeness of the information provided by AHRA.

Post period end, on 18 January 2024, Michael O'Donnell was appointed to the Board as a non-executive Director and the Chair of the Company. Lynne Fennah and Michael O'Donnell were both independent of AHRA, Alvarium FM and AEW, respectively, at the time of their appointments and are deemed by their fellow Board members to continue to be independent in character and judgement and to have no conflicting relationships.

The Chair considers himself to have sufficient time to commit to the Company's affairs. The role and responsibilities of the Chair of the Board are clearly defined and set out in writing, a copy of which is available on the Company's website.

Senior Independent Director

Simon Moore was the Senior Independent Director during the year. The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for the other Directors and shareholders. The Senior Independent Director also provides a channel for any shareholder concerns regarding the Chair and takes the lead in the annual evaluation of the Chair by the other Directors. The role and responsibilities of the Senior Independent Director are clearly defined and set out in writing, a copy of which is available on the Company's website.

Post period end, on 2 April 2024, Peter Williams was appointed as a non-executive Director and the Senior Independent Director of the Company.

Brief biographical details of the Directors, including details of their significant commitments, can be found on pages 45 to 46.

Matters reserved for the Board

The Company's investment policy and strategy are determined by the Board. The Board is responsible for investment decisions, other than to the extent delegated to Alvarium FM and/or AHRA during their period of appointment and AEW from 21 August 2023, and the appointment, supervision and monitoring of the Group's key service providers, including amongst others, Alvarium FM and/or AHRA and AEW as applicable. The Board establishes the Company's borrowing policy, dividend policy, approves public documents such as the annual and interim reports and financial statements, and corporate governance matters. A formal schedule of matters reserved for decision by the Board has been adopted and is available on the Company's website, with a summary in Appendix 2 on page 152.

Independent professional advice, insurance and indemnity

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the expense of the Company. The Company also maintained Directors' and Officers' liability insurance during the year. The Articles provide the Directors of the Company, subject to the provisions of UK legislation, with an indemnity in respect of liabilities which they may sustain or incur in connection with their appointment. Apart from this, there are no qualifying third party indemnity provisions in force.

Other than their letters of appointment as Directors, none of the Directors has a contract of service with the Company nor has there been any other contract or arrangement between the Company and any Director at any time during the year.

The Board has agreed a procedure for the induction and training of new Board appointees and training requirements are dealt with as required.

Information regarding the annual evaluation of the Board, its Committees, the individual Directors and the Chair; diversity policy; composition of the Board; tenure of the Directors; and the Directors' re-election is set out in the Report from the Nomination Committee on pages 69 to 71.

Board Committees

During the year, the Company had three Committees in operation, namely, the Audit Committee, the Management Engagement Committee and the Nomination Committee. Given the size of the Board, it is not considered appropriate to establish a separate remuneration committee. The functions that would normally be carried out by this committee are dealt with by the full Board.

The terms of reference of the Committees are available on the Company's website.

Audit Committee

The Group has established an Audit Committee which is chaired by Marlene Wood and consists of all Directors. The Board considers that the members of the Audit Committee have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. The Audit Committee includes individuals with substantial experience of the financial matters of listed companies and the property sector. It is considered appropriate for the Chair of the Company to be a member of the Audit Committee, in view of the Directors in office at IPO intending to step down on publication of the 2023 annual report, his involvement in the operations of the Committee will provide essential operational continuity between the current and the revised composition of the Audit Committee.

The report of the Audit Committee is set out on pages 56 to 66.

Management Engagement Committee

The Management Engagement Committee comprises all Directors and was chaired by Simon Moore during the year. The Committee met during the period under review to consider the performance of the AIFM and the Investment Adviser under the IMA and the IAA, respectively. In addition, the Management Engagement Committee reviews the performance, terms of appointment and fees payable to the other key service providers of the Company, and makes recommendations to the Board regarding their continuing appointment.

The report of the Management Engagement Committee is set out on pages 67 and 68.

Nomination Committee

The Company has established a Nomination Committee. During the year under review, this was chaired by Lynne Fennah and subsequently Michael O'Donnell since his appointment on 18 January 2024. The Committee reviews the Board's succession plan and identifies and nominates candidates for the office of director of the Company. It also reviews the results of the annual evaluation process of the Board, its Committees, the Directors and the Chair, and makes recommendations to the Board in respect of the election/re-election of the Directors.

The report of the Nomination Committee is included on pages 69 to 71.

Meetings held during the year

The Company has four scheduled board meetings a year with additional meetings arranged as necessary.

At each Board meeting, the Directors follow a formal agenda which is circulated in advance by the Company Secretary. AHRA or since its appointment AEW, the Administrator and the Company Secretary regularly provide the Board with financial information, including an annual expenses budget or business plans, together with briefing notes and papers in relation to changes in the Company's economic and financial environment, statutory and regulatory changes and corporate governance best practice.

The number of scheduled Board, Audit Committee, Management Engagement Committee and Nomination Committee meetings held during the year ended 31 August 2022 and the attendance of the individual Directors is shown below:

	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Number entitled to attend	9	3	2	2
Lynne Fennah	9	3	2	2
Peter Cardwell	9	3	2	2
Simon Moore	9	3	2	2
Marlene Wood	9	3	2	2

In addition to the above, two Board meetings were held in respect of the fundraising in May 2022 and two ad hoc Board committee meetings to deal with the approval of documentation and administrative matters in respect of the annual and interim reports.

A number of additional Board meetings have been held since the year end. Michael O'Donnell, Rod Day and Peter Williams are not listed in the above table as they were appointed following the year end.

Conflicts of Interest

It is the responsibility of each individual Director to avoid an unauthorised conflict arising. Directors must request authorisation from the Board as soon as they become aware of the possibility of an interest that conflicts, or might possibly conflict, with the interests of the Company (a "situational conflict"). The Articles authorise the Board to approve such situations, where deemed appropriate.

The Board is responsible for considering Directors' requests for authorisation of conflicts and for deciding whether or not the situational conflict should be authorised. The factors to be considered will include: whether the situational conflict could prevent the Director from properly performing their duties; whether it has, or could have, any impact on the Company; and whether it could be regarded as likely to affect the judgement and/or actions of the Director in question. When the Board is deciding whether to authorise a situational conflict, only Directors who have no interest in the matter being considered are able to take the relevant decision, and in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board are able to impose limits or conditions when giving authorisation if they think this is appropriate in the circumstances. The Directors must also comply with the statutory rules requiring the Directors to declare any interest in an actual or proposed transaction or arrangement with the Company.

The Company Secretary maintains the Register of Directors' Conflicts of Interests which is reviewed at each Board meeting, to ensure that authorised conflicts remain appropriate. The Directors advise the Company Secretary and the Board as soon as they become aware of any conflicts of interest. Directors who have conflicts of interest do not take part in discussions which relate to any of their conflicts.

Risk management and internal control review

The Directors acknowledge that they have overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness.

An ongoing process, in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been implemented for identifying, evaluating and managing the principal and emerging risks faced by the Company and the Group. This process has been in place throughout the year ended 31 August 2022 and up to the date the financial statements were approved and is regularly reviewed by the Board, through the Audit Committee if scheduled or at a regular Board meeting. Key procedures established with a view to providing effective financial control have also been in place for the year under review and up to the date the financial statements were approved.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's investment objective. It should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Company has contractually delegated the management of the investment portfolio, the registration services, administration services and other services to third party service providers and reliance is therefore placed on the internal controls of those service providers.

The internal financial control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are taken, reports are published and the assets of the Company are safeguarded.

The key procedures include review of management accounts, monitoring of performance of the Company and AHRA or AEW (as applicable) at quarterly Board meetings, segregation of the administrative function from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. The internal controls at the service providers are reviewed by the Audit Committee.

The Board has undertaken a review of the effectiveness of the Company's risk management and internal control systems as they have operated over the year and up to the date of the approval of the Annual Report.

Due to information that came to light post period end which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period, together with low rent collection and further evidence of material information being withheld from the Board, the Board has considered its risk management framework, internal control systems, procedures and processes.

As a result of that significant and material information the following amendments to the risk management framework and internal controls systems have been made:

- Rigorous selection process for the appointment of a new Investment Manager and AIFM;
- Internal inspection of properties by Vibrant, JLL and other third parties;
- Provision of a contact address for the Chair on the Group's website and request for key service providers to provide relevant employees contact details of Chair to raise concerns with the Group's whistleblowing policy updated accordingly;
- Health & Safety consideration with AEW having established a Health & Safety Committee which regularly reports to the Board. Health & safety is a standard priority item on the Board agenda's recognising the new leasing model such that leases are no longer limited to FRI leases and the Group having leases (ASTs) with occupiers during the Stabilisation Period and Managed Wind-Down;
- The Board has approved a revised expense payment policy to reflect the financial position of the Company and the Stabilisation Period; and
- A 13 week cashflow forecast is maintained and updated regularly by AEW as the Company seeks to stabilise its financial position.

Internal control assessment process

Robust risk assessments and reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective. The Board, through the Audit Committee, has categorised risk management controls under the following key headings: investment strategy and operations; real estate sector; risks relating to Shares; engagements with third party service providers; taxation; accounting, operational and financial reporting; governance and regulatory compliance; and emerging risks including climate risk. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the review of risk and associated controls of the Company.

A risk matrix is in place against which the risks identified and the controls to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. This risk register is reviewed at least every six months by the Audit Committee and at other times as necessary by the Board.

The majority of the day-to-day management functions of the Company are sub-contracted, and the Directors therefore obtain regular assurances and information from key third party service providers regarding the internal systems and controls operating in their organisations. In addition, each of the third parties is requested to provide a copy of its report on internal controls each year, where available, which is reviewed by the Audit Committee.

Relations with shareholders

Details regarding the Group's engagement with its shareholders are set out within the Strategic Report on page 31.

Report of the Audit Committee

I present the report of the Audit Committee (the "Committee" for purposes of this Report of the Audit Committee only) for the year ended 31 August 2022.

Composition

The composition of the Committee is set out in the Corporate Governance Statement on page 53. Details of how its performance evaluation has been conducted are included on pages 69 and 70.

Meetings

The Committee met three times during the year under review. The Directors' attendance is set out on page 53 in the Corporate Governance Statement.

Role of the Committee

The primary responsibilities of the Committee are:

- monitoring the integrity of the financial statements of the Company, any formal announcements relating to the Company's and the Group's financial performance, and reviewing significant financial reporting judgements contained therein;
- advising the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- consider reports from the independent valuer of the Company to value its investments;
- keep under review the effectiveness of the Company's internal financial controls and internal control and risk management systems;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
- conducting the tender process and making recommendations to the Board about the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor; and
- developing and implementing policy on the engagement of the external auditor to provide non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required.

Activities during the year under review

During the year under review, the Committee:

- conducted a review of the internal controls and risk management systems of the Company and its third party service providers;
- conducted regular reviews of the Company's risk register;
- reviewed the interim and annual valuations of the underlying property assets of the Company and recommended these to the Board. In doing so, the Committee monitored the effectiveness of the Company's valuation policies and methods;
- reviewed the Company's annual and half-yearly consolidated financial statements for the period to 31 August 2021 and 28 February 2022 respectively and recommended these to the Board. In particular, the Committee advised the Board that taken as a whole, the Annual Report is fair and balanced and provides the information necessary for shareholders to assess the Company's performance, business model, strategy and going concern statement;
- received and discussed with the Auditor its report on the results of the review of the half-year consolidated financial statements to 28 February 2022 and the period end audit to 31 August 2021;
- agreed the audit plan with the Auditor in respect of the review of the Half-Year Report for the period ended 28 February 2022 and the statutory audit of the Annual Report for the year ended 31 August 2022, including the principal areas of focus being management override of controls, revenue recognition and investment property valuation;
- reviewed and agreed the audit fees for the statutory audit of the Company and its subsidiaries and for the interim review for 2022;
- discussed and considered the Auditor's performance, objectivity and independence and the effectiveness of the external audit; and
- reviewed whether an internal audit function would be of value and concluded that this would provide minimal added comfort at considerable extra cost to the Company. The existing system of monitoring and reporting by third-party service providers remains appropriate. The Committee keeps the needs for an internal audit function under periodic review.

Activities post the year end under review

With consideration to the significant delay in publishing the annual report, the Audit Committee has decided to disclose the activity post year end to the date of the approval of these accounts.

At the 18 November 2022 meeting, the Committee considered the following key matters:

- BDO's audit report to the Committee and the draft audit opinion and draft letter of representation;
- Review of the risk register prepared by AHRA;
- Review of the draft annual report and matters for consideration;
- Review of the annual valuations of the underlying property assets of the Company and recommended these to the Board. The valuation as at 31 August 2022 was initially undertaken by Knight Frank, an accredited independent external valuer with relevant and recent experience of valuing residential properties of the type in which the Group invests. Knight Frank resigned on 3 May 2023;
- Payment of an additional interim dividend; and
- Evaluation of effectiveness of the external audit and re-appointment of BDO.

At the date of this meeting, BDO's audit work was substantially complete, albeit there were a number of outstanding items. Nonetheless, however final audit completion was expected for 28 November 2022. Subsequent to the meeting on 18 November 2022, it became apparent that certain of the outstanding items were linked to the issues that have since been uncovered and are detailed elsewhere in this report and that further work was required in relation to these issues. Following the issuance of two reports from Viceroy Research in November 2022, BDO determined it was required to undertake an enhanced set of audit procedures in respect of the financial year ended 31 August 2022. In January 2023, the Board instructed A&M to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research Report. The conclusions of A&M's investigation are set out below.

At the meeting on 25 April 2023 (at which BDO were not in attendance), the Committee considered the risk register and an update of the audit for the period ended 31 August 2022.

Knight Frank resigned as external valuer on 3 May 2023.

On 5 May 2023, A&M delivered to the Company a detailed report. Without waiver of privilege, the key findings of this report concluded that:

- arrangements with the Group's corporate tenants and vendors relating to the cost of refurbishment of properties were not brought to the attention of the Board by AHRA, so that the Board was unable to consider whether a release of a vendor's liabilities for refurbishment of properties was appropriate. These arrangements included, a representative of AHRA, without the knowledge or the authority of the Board, entering into a settlement agreement with the Aggregators and the Company paying £0.7 million and purportedly waiving any refurbishment claims against the Aggregators in relation to 488 properties on 8 December 2022;
- the Board had not approved or been provided with information regarding alternative arrangements to settle outstanding rent arrears (as discussed in Note 5 to the Consolidated Financial Statements);
- there was limited evidence of detailed ongoing monitoring of tenants being undertaken by AHRA;
- AHRA provided inaccurate information about occupancy rates to The Good Economy;
- certain connections between tenants existed that were not disclosed to the Board; and
- there existed certain undisclosed potential outside business interests and undeclared potential conflicts of interest as between certain persons associated with AHRA and third parties.

With consideration of the findings post year end, the Board determined that revised accounting policies were required for acquisition accounting and revenue recognition to appropriately account for the substance of historical acquisitions and lease contracts. The Board also determined it was necessary to: apply the revised accounting policies back to inception with review of all historical acquisitions and lease contracts; instruct third parties to undertake an internal inspection programme to determine the condition of the properties; and appoint JLL as independent valuer to undertake valuations of the entire portfolio, on the basis of fair value as at 31 August 2022. The application of revised accounting policies back to inception has resulted in the restatement of the 2021 comparatives in the accounts.

At the meeting on 29 May 2024 the Committee considered the updated audit plan for the period ended 31 August 2022 and the preliminary audit plan for the year ended 31 August 2023.

At the meeting on 30 August 2024 the Committee considered the updated risk register for the proposed managed wind down. In relation to the year ended 31 August 2022 the Committee reviewed JLL's valuation report and BDO's draft audit report to the Committee. The Going Concern paper and draft annual accounts were also presented.

Financial statements and significant accounting matters

The Committee has taken into account the most significant risks and issues, both operational and financial, which are likely to impact the Company's financial statements. It considered the following key issues in relation to the Company's financial statements during the year and post year end:

Valuation of investment property

The Committee considers the valuation of investment property to be a significant area of judgment which could materially impact the financial statements for the period ended 31 August 2022. JLL has been appointed post period end as the independent valuer to value the Group's property portfolio in accordance with the RICS requirements on a bi-annual basis.

The Group's portfolio has been independently retrospectively valued by JLL in accordance with the RICS Valuation Professional Standards. As at 31 August 2022, the Group's portfolio had a market value of £414.3 million representing 45.5% of the historical acquisition costs (including purchase costs). The reduction in the property valuation is principally as a result of a re-assessment of the quality of the assets and the covenant strength of the tenants, several of which have gone into liquidation post period end. JLL have retrospectively determined the condition of the properties through external inspection of 1,975 properties and internal inspection of 195 properties supported by third party condition reports on 784 properties.

In determining the fair value as 31 August 2022, JLL has used a combination of the investment approach (61% of the properties) and MV-VP (39% of the properties). Refer to Note 9 to the Consolidated Financial Statements for further detail.

Whilst all properties within the portfolio were subject to a lease, the security of the unexpired term for these leases differs across the portfolio depending on the covenant strength of the tenant. For tenants with a weak covenant strength, or where a property was deemed unhabitable or not fit for-purpose, JLL disregarded the leases and valued the properties on the basis of MV-VP.

Where a valuation has continued to be prepared on an investment basis, limitations on the duration of the income streams have been applied to account for the covenant strengths of the tenants, and the rent levels demanded under the leases. JLL capped the unexpired lease term at five years due to the lack of confidence in those tenants being able to fulfil their lease obligations.

Furthermore, for those properties which are sublet to a tenant with a strong covenant, JLL ignored the primary in-place lease and instead capitalised the sublease passing rent for its remaining term (up to eight years). Where a property has a high passing rent in comparison to JLL's opinion of MV-VP, JLL capped the fair value at 150% of MV-VP.

The 2021 Knight Frank valuation valued each asset on the investment approach. Having retrospectively considered the substance of the transactions and considered the level of works required, the Directors now consider that the substance of some transactions was that of a forward funding arrangement. As described more fully in Note 9 to the Consolidated Financial Statements, the Directors have deducted the estimate of prepaid Seller's Works from the fair value of the Knight Frank valuation. Additionally, as discussed in Notes 3 and 4 to the Consolidated Financial Statements, the Directors also consider that the substance of entering into simultaneous acquisition and leasing transactions resulted in the indirect payment of lease inducements and the accounting should be corrected accordingly. These amounts have also been deducted from the value of the Knight Frank valuation, including adjustment for associated amortisation. The Directors have also considered whether the 31 August 2021 Knight Frank valuation required additional adjustments and concluded that no further adjustments were required.

The Committee reviewed the detailed valuation report from JLL and the assumptions underlying the property valuations and concluded that the valuation at the Company's year-end is appropriate.

Significant accounting judgements and estimates

The judgements, estimates and associated assumptions that have had a material impact in the presentation of assets and liabilities in these accounts have been made in relation to the acquisition of investment property (including Seller's Works, lease inducement payments and retentions), valuations of investment property and rental revenue recognition. These are detailed in Note 3 to the Consolidated Financial Statements.

Limitations of scope

BDO were unable to express an opinion on the financial statements as a result of certain limitations in scope relating to an inability to obtain sufficient audit evidence in relation to the matters set out below. The Directors consider that they were unable to provide audit evidence to BDO principally due to:

- AHRA's failure to obtain, maintain and retain adequate and accurate accounting records;
- AHRA's failure to sufficiently hand over all applicable material to AEW on transition;
- AHRA's failure to follow procedures around the declaration of and approval for entering into related party transactions; and
- AHRA's acting on behalf of and without the approval of the Directors in entering into contracts and transactions which required Board approval.

In addition, because of the termination of AHRA, BDO were not able to make inquiries of the AHRA employees who participated in the day-to-day operations and those who were expected to follow the internal control structure established at inception.

This absence of complete accounting records has led to the Board making estimates in significant areas. The areas where the Directors have had to make estimates and assumptions are discussed in detail in Note 3 to the Consolidated Financial Statements. BDO's limitations of scope primarily result from the following areas:

1. AHRA proposed properties be acquired by the Group many of which required significant improvements to be completed by the vendor. Acquisitions of this nature required Board approval. Without the knowledge or approval of the Board, the SPAs related to these acquisitions did not contain customary protections for the Group to ensure that the vendors completed the work within the agreed timeframe, such as agreeing the scope and cost of works to be completed and withholding adequate levels of acquisition funds until the works were completed and an accompanying certificate of practical completion was received and verified.
2. The condition of the properties was unknown by the Directors at the balance sheet date as a result of the inadequate records that were maintained as described in 1 above and the lack of monitoring by AHRA on the progress toward completion of Seller's Works. To remedy the situation, the Directors engaged Vibrant and others to inspect as many properties as possible so that JLL had appropriate information to support the property condition assumption underpinning its valuation. Because Vibrant was not engaged until August 2023 and the programme continued until May 2024, the results could only be used as a proxy for the condition as at 31 August 2022.
3. The Directors have retrospectively estimated that 7.7% of the properties were considered to be unhabitable at acquisition. This impacted the classification of the lease inducement and the recognition of revenue.
4. As disclosed in Notes 3, 5 and 11 to the Consolidated Financial Statements, cash was received in several non-traditional manners and the application of the receipts was at the direction of AHRA and not accompanied by information to support the application of funds received to specific invoices.

This section details how the Directors specifically considered each limitation of scope which related to both the Group and the Company, as applicable:

Financial Statements Area	Accounting Area	Limitation	How Considered
Investment Property	Additions during the period	Where a property was acquired with a commitment for vendor to complete Seller's Works, a portion of the purchase price should have been accounted for as a prepayment. There were insufficient records as to the agreed value of Seller's Works at the acquisition date.	As noted above, AHRA either did not obtain and maintain adequate property condition information as at the acquisition date or did not pass those records to AEW in order to be able to assess the value of Seller's Works at the acquisition date. The methodology followed to estimate the value of Seller's Works has been detailed in Note 3 to the Consolidated Financial Statements.
	Lease incentive or lease inducement for unhabitable properties	The Directors had to make assumptions as to the condition of the property at acquisition based on available records. Further, the Directors reviewed the substance of the agreements entered into with tenants and vendors and are now of the opinion that a portion of the purchase price representing one year of rent should have been established as a lease incentive or a lease inducement for unhabitable properties, depending on whether the property was considered habitable at acquisition. Based upon incomplete records, there is a limitation of scope over the condition of the property at acquisition. Because the Group was not a party to any agreement between the tenant and the vendor there is also a limitation of scope as to the length of any tenant incentive provided by the vendor.	The Directors consider that the lease agreement and SPA should be accounted for as a single contract. The Directors therefore consider that the payment from the vendor to the tenant should be accounted for as a separate lease inducement asset. Where an acquired property was retrospectively deemed to be unhabitable, the lease did not meet the criteria for revenue recognition and the lease incentive should have been classified as a lease inducement for unhabitable properties. The assumptions around this and the classification as to whether that payment is a tenant receivable or a lease incentive are described in Note 3 to the Consolidated Financial Statements.
	Cost capitalisation at the acquisition date	There is uncertainty as to the whether there were any commissions paid by vendors at acquisition without the knowledge of the Board, and if paid whether they included any amounts to key management. If commissions were paid to related parties, they may not have met the criteria for capitalisation as acquisition costs which would impact the value of investment property and the revaluation movement in any period.	The Directors have not been able to prove whether any of the purchase price was used by the vendor to pay commissions and if so whether they were paid to key employees of related parties. Accordingly, the Group recorded the entire amount paid to the vendor to transact the acquisition with allocations to Seller's Works and lease incentives as described above.
	Fair value at 31 August 2022	There is lack of evidence to support the actual condition of each property and the financial condition of each tenant as at 31 August 2022.	In order to retrospectively assess the property condition as at 31 August 2022, the Directors engaged Vibrant and other third parties to perform property inspections from August 2023 through to May 2024. The results from the inspection programme undertaken were used as a proxy for the condition as at 31 August 2022. JLL used these updated condition assumptions and their own conclusions on tenant financial condition to support their conclusion on property values.

Financial Statements Area	Accounting Area	Limitation	How Considered
Trade and other receivables	Lease inducement for unhabitable properties	There is lack of audit evidence to support the condition of the property at acquisition leading to uncertainty as to whether amounts should be classified as a lease incentive (included in investment property) or a lease inducement for unhabitable properties (included in trade and other receivables).	As outlined in Note 3 to the Consolidated Financial Statements judgements were made with regard to rental revenue recognition based on whether properties were deemed to be in habitable condition which impacted the classification of the lease inducement.
	Tenant receivables in accordance with lease agreements	Cash was received in several non-traditional ways during the period from September 2021 to October 2022 which were not accompanied by remittance statements.	Notes 3, 5 and 11 to the Consolidated Financial Statements, describe the assumptions made by Directors supporting the accounting treatment.
	Lease incentive or tenant receivable	Sufficient appropriate audit evidence did not always exist to support the condition of the property on acquisition which is the key determining factor as to whether the incentive provided by the vendor to the tenant is classified as a lease incentive or a lease inducement receivable.	As outlined in Note 3 to the Consolidated Financial Statements judgements were made with regard to rental revenue recognition based on when properties were deemed to be in habitable condition. The recording of a lease incentive or lease inducement for unhabitable properties followed this determination.
	Prepaid Seller's Works	As noted above, there was a lack of audit evidence to support the value of Seller's Works at the acquisition date.	The assumptions underpinning the valuation of prepaid Seller's Works have been set out in Note 3 to the Consolidated Financial Statements.
Restricted Cash	Retentions held by solicitors	Most SPAs required that a retention be held until vendor completion of Seller's Works and released upon the receipt of a certificate of practical completion. However, some retentions were found to have been released without any supporting evidence of completion.	Because of the lack of supporting evidence, as outlined in Note 3 to the Consolidated Financial Statements the Directors have had to record the release of retentions on a cash basis.
	Cash held in Escrow for Property Repairs	Evidence of an escrow account funded by a vendor and used by tenants for property repairs was discovered. Other arrangements could have existed.	Since the transactions occurred without Board knowledge the Directors cannot state that other similar arrangements did not occur, but have recorded the receipt of cash and the distribution to tenants where identified.
Rental Income	Amounts invoiced in accordance with lease agreements	There is a lack of evidence to support the condition of the property on acquisition and as a result the Directors have had to make assumptions as to the rent commencement date which impacts the recognition of revenue and the recognition and impairment of the associated lease incentive.	As outlined in Note 3 to the Consolidated Financial Statements judgements were made with regard to the condition of the property and the appropriate rental revenue recognition start date based on when properties were deemed to be in a habitable condition.
	Straight line rent adjustment	Because of the uncertainty over the rent commencement date, there is limitation of scope over the recognition of straight-line rental revenue.	As outlined in Note 3 to the Consolidated Financial Statements judgements were made with regard to rental revenue recognition based on when properties were deemed to be in habitable condition.

Financial Statements Area	Accounting Area	Limitation	How Considered
Administrative expenses	Commissions	As noted above, there is uncertainty as to whether any commissions were paid by vendors and if so whether any were paid to related parties. If they did, they may not have met the criteria for capitalisation as additions and therefore should have been expensed.	Because the Directors have not been able to conclude as to whether any commissions were paid by vendors on property acquisitions, and if so, whether they were paid to related parties, the Directors have recorded acquisitions based upon amounts paid to vendors less amounts related to lease incentives and Seller's Works.
Write-off of Seller's Works not initiated or completed		Because of the uncertainty in valuing prepaid Seller's Works, as noted above, there is a limitation of scope on the value and timing of the expense recognised when the works were not completed and the prepaid balance was subsequently written off.	Refer to Note 3 to the Consolidated Financial Statements for judgments and estimates in relation to the estimate of the value of Seller's Works at acquisition.
Provision for expected credit losses of trade receivables		As noted above in trade and other receivables, there was insufficient evidence to support the ageing of trade receivables.	Refer to Note 3 to the Consolidated Financial Statements for judgments in relation to the value of tenant receivables and the estimates supporting the provision for credit losses recognised in the Consolidated Statement of Comprehensive Income.
Changes in fair value of investment property	Cost of investment properties	Because the property condition was not certain, which impacts the valuation of investment property at the balance sheet date, and the estimates of the value of Seller's Works, there is a limitation of scope as to the cost recognised for the property at acquisition and the value of investment property at the balance sheet date which impacts the recognition of value movement of investment property in the period.	Refer to Note 3 to the Consolidated Financial Statements for judgements and estimates in relation to the recognition of the cost and subsequent valuation of investment property at the balance sheet date including the estimate of amounts allocated to Seller's Works at the acquisition date.
Related Party Transactions		There is uncertainty as to the completeness of related party transactions with key management and associated disclosures.	As noted above, the Directors have disclosed all known related party transactions to which the Group or Company were a party, including all transactions with every Director.
Fair value of bank borrowings	Disclosure	BDO could not conclude as to whether the methodology employed by the Company's third-party expert was appropriate. In the time frame given, BDO could not conclude whether it was appropriate to value the outstanding borrowings using anything other than the income approach and specifically the weighting of 50/50% of the income approach of valuation and par.	The Directors engaged a third party to estimate the fair value of the borrowings and the methodology is disclosed in Note 10 to the Consolidated Financial Statements. Because the loan is secured with adequate collateral, the valuation considered that the fair value should weight the income approach and par at 50%/50%.

This section details how the Directors specifically considered each limitation of scope as they related only to the Company Financial Statements:

Financial Statements Area	Accounting Area	Limitation	How Considered
Investment in subsidiaries		The value of the investment in subsidiaries is dependent upon the valuation of the assets and liabilities of each subsidiary. For the reasons set out above, BDO could not obtain satisfactory evidence to support the carrying value of the investment in subsidiaries balance.	The methodology to estimate the value of the net assets of each subsidiary and the conclusion to impair the investment balance before the amounts due from subsidiaries is as detailed in Notes 2 and 3 to the Company Financial Statements.
Amounts due from subsidiaries		The value of amounts due from subsidiaries is dependent upon the valuation of the assets and liabilities of each counterparty subsidiary. For the reasons set out above, BDO could not obtain satisfactory evidence to support the expected credit losses on amounts due from subsidiaries.	The methodology to estimate the value of the net assets of each subsidiary and the conclusion to impair the investment balance before the amount due from subsidiaries is as detailed in Notes 2 and 3 to the Company Financial Statements.

The comments above also apply to opening balances and each associated footnote and the 2021 valuation is addressed on page 58. The comments above further relate to balances presented in the consolidated statement of cash flows to the extent that those amounts are derived from changes in the consolidated statement of financial position.

Going concern and viability statement

The Directors, at the time of approving the financial statements, are required to consider whether they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to their going concern status.

As discussed in Note 26 to the Consolidated Financial Statements, the shareholders approved the New Investment Policy on 16 September 2024 for the Managed Wind-Down. The Group will not make any further real estate acquisitions and will not make any further investment. Capital expenditure will be permitted where it is deemed necessary or desirable to protect or enhance an asset's net realisable value or in order to comply with statutory obligations.

Cashflow projections have been prepared by AEW and agreed with the Board which consider:

1. The expected orderly disposal of properties through a combination of private treaty and auction sales. The Board expects that substantially all properties will be sold no later than 30 June 2025.
2. Revenue will continue to be collected on properties held by the Group.
3. Expenses are forecast to continue to be incurred at the current level for those services required for the continued operation of the Group. Notice periods have been considered where necessary and the majority of operations are expected to have concluded by 31 December 2025, when the annual report and accounts for the year ended 31 August 2025 are required to be filed.

As discussed in Note 10 to the Consolidated Financial Statements, the Group has been operating under periodic debt covenant waivers from and with the support of Scottish Widows with the latest waiver extending to 31 October 2024. The Lender has stated that it expects that both facilities and their associated interest and Deferred Fees to be fully paid by 31 December 2024. On this basis, the Directors believe that the Lender will continue to support the Group until the debt is fully repaid. However, there is no guarantee that the Lender will continue to extend its support beyond the date of the latest waiver letter.

Since beginning property sales in August 2023, the average discount from the 31 August 2022 JLL valuation is 11.4% and 13.2% if August 2023 through November 2023 sales are excluded, as this evidence was used by JLL as part of the valuation process (1.9% and 3.0% average discount from 31 August 2023 valuation respectively). This discount occurs generally because at the auction date:

1. The Group had not received from AHRA or from the non-performing tenants, and therefore cannot produce critical information that buyers require such as underlying occupancy, tenant and income information and property compliance certificates, and
2. The Group's advisers have experienced issues with accessing properties because of tenant imposed limitations or due to poor management by non-performing tenants, which negatively impacts marketing including producing full information particulars.

The Group has been selling properties that are in poor condition in order to minimise operating liabilities and risks. In order to maximise sales proceeds from future sales, AEW is prioritising selling properties which the Group controls and holds complete information for marketing. However, considering the past shortfall to the valuations and as a contingency to ensure the Company can fully repay the Lender and provide adequate working capital to fund operations, the Group intends to sell a minimum of a further £25 million of property in the period to 31 December 2024. The remaining properties will be sold in the period to 30 June 2025.

The Company has received a pre-action letter of claim which asserts that the Company provided information to investors which was false, untrue and/or misleading and as a result investors suffered losses. The Directors are not currently able to conclude whether or when a formal claim may be issued and if a claim is issued, what the quantum of such claim may be. Further, on 12 February 2024, the Company was notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023. The Company and Directors are co-operating with the FCA in its investigation. However, they are not able to assess or quantify what if any action may be taken. Until the Directors have better visibility into the ultimate exposure of these and any other contingent liabilities, they will not be able to satisfy themselves as to what, if any, reserves of excess cash will be required to settle these matters. When the Directors are able to estimate the range of exposure, the Company intends to return any estimated surplus capital to investors, whilst maintaining a prudent level of cash to wind down the Company and Group and considering any other eventualities.

As a result of (i) uncertainty over the timing of asset sales, (ii) risks around continued Lender support, (iii) the threatened litigation, (iv) the FCA investigation and (v) the Directors' expectation for an orderly wind-down of the Company's operations, the Directors consider it appropriate to adopt a basis of accounting other than as a going concern in preparing the financial statements. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis.

Internal controls

The Committee carefully considers the internal control systems by monitoring the services and controls of its third-party service providers. It reviewed and, where appropriate, updated the risk matrix during the year under review. This is done on a bi-annual basis or more frequently if required. The Committee received a report on internal controls during the period under review from AHRA and the Company's other key service providers and no significant matters of concern were identified at the time. The Board continues to regularly review and update the risk matrix with AEW. The Board has considered the internal controls and risk matrix and determined that these were appropriate based on the information reported to the Board and all Committees at the time. The risk register has been substantially amended post period end due to the increased risk and type of risks the Company is now exposed to and to reflect the activities of the Group during the Stabilisation Period and the Managed Wind-Down.

Auditor's remuneration

Fees paid to the Group's Independent Auditor include the following:

Service provided	Year ended 31 August 2022 £'000's	Period ended 31 August 2021 £'000's
Fees payable for the audit of the Company's annual accounts	2,164	182
Fees payable in respect of the review of the Interim Report	44	31
Fees in respect of reporting accountant services and interim audit, recognised directly in equity as share issue costs in FY22 and FY21	–	221
Fees in respect of the audit of the Group's initial accounts	–	43
Fees payable for the audit of the Company's subsidiaries	72	12

Further details of the Auditor's remuneration are set out in Note 6 to the Consolidated Financial Statements.

Non-audit services provided by the Auditor

The Committee has a non-audit services policy in place. The supply of non-audit services provided by the Auditor is considered on a case-by-case basis and may only be provided to the Company if approved by the Committee, the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the Auditor from remaining objective and independent. BDO was paid fees in respect of the following non-audit services in the year:

Non-audit service provided	Year ended 31 August 2022 £'000's	Period ended 31 August 2021 £'000's
Audit of Initial Accounts	–	43
Review of Interim Report	44	31
Reporting accountant services regarding the Admission to the London Stock Exchange (recorded as share issuance costs direct to equity)	–	92
Interim audit procedures to support the additional Share issuance (initially recorded as a prepayment and reclassified to share issuance costs direct to equity in FY22)	–	129

The independence of the Auditor was considered prior to the provision of these services. The Audit Committee believes that the provision of the above services does not affect the independence of BDO LLP as the Company's external Auditor.

Effectiveness of the external audit

The Committee reviews the effectiveness of the external audit process on an annual basis. During the year, the Committee met key members of the senior audit team at BDO as part of the annual reporting process. The Chair of the Committee liaises regularly with the lead audit partner to discuss any issues arising from the audit as well as its cost effectiveness. In fact, the Chair of the Committee met with the lead partner, prior to the expected finalisation of the audit of the Annual Report and Accounts for the year ended 31 August 2022, on 18 November 2022, without AHRA being present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers.
The audit was still in progress at this point with some open items, but no material matters were raised at this stage albeit there were a number of outstanding items as noted above. Following publication of the Viceroy Research Report, BDO undertook enhanced audit procedures.

The Chair of the Committee has throughout the intervening period from November 2022 liaised regularly with the lead audit partner to agree a revised audit plan for the year end 31 August 2022 and to discuss any issues arising from the audit. The Chair of the Committee also met with the lead partner, prior to the finalisation of the audit of the Annual Report and Accounts for the year ended 31 August 2022 without AEW being present, to discuss how the external audit was carried out, the findings from such audit and whether any issues had arisen from the Auditor's interaction with the Company's various service providers.

Following its review prior to the approval of these accounts, the Committee has challenged the Auditor and concluded that the Auditor has demonstrated a good understanding of the structure and operations of the Company and had identified and focused on the areas of significant financial reporting risk. The external audit process was considered to have been effective.

Independence and objectivity of the Auditor

BDO was selected as the Company's external Auditor at the time of the Company's launch in 2020 following a formal tender process and review of the Auditor's credentials. The continuing appointment of the Auditor is reviewed annually by the Committee, which gives consideration to the Auditor's fees and independence, along with the matters raised during each audit.

The Committee has considered the independence and objectivity of the Auditor and has conducted a review of non-audit services which the Auditor has provided during the year under review. The Committee receives an annual assurance from the Auditor that its independence is not compromised by the provision of such non-audit services. The Committee is satisfied that the Auditor's objectivity and independence is not impaired by the performance of these non-audit services and that the Auditor has fulfilled its obligations to the Company and its shareholders.

Re-appointment of the Auditor

BDO were appointed on IPO as external auditor in 2020 after a competitive process. In consideration of the performance of BDO, the services provided during the year and a review of BDO's independence and objectivity, the Audit Committee has recommended to the Board the re-appointment for 2023 and 2024.

Fair, balanced and understandable financial statements

The Committee has concluded that the Annual Report for the year ended 31 August 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Committee has reported its conclusions to the Board. It reached this conclusion through a process of review of the draft financial statements and enquiries to the various parties involved in the production of the Annual Report.

Marlene Wood

Chair of the Audit Committee

10 October 2024

Report of the Management Engagement Committee

I present the report of the Management Engagement Committee (the "Committee" for purposes of this Report of the Management Engagement Committee only) for the year ended 31 August 2022.

Composition

The composition of the Committee is set out in the Corporate Governance Statement on page 53. Details of how its performance evaluation has been conducted are included on pages 69 and 70.

Meetings

The Committee met two times during the year under review and three times post year end. The Directors' attendance is set out on page 53 in the Corporate Governance Statement.

Role of the Management Engagement Committee

The key responsibilities of the Committee are:

- monitoring and annually evaluating Alvarium FM and AHRA investment performance and their compliance with the terms of the IMA and the IAA, respectively;
- reviewing, at least annually, the performance of Alvarium FM and AHRA and considering their continued appointment on the terms set out in their respective agreements with the Company;
- reviewing the level and method of remuneration, the basis of performance fees (if any) and the notice period of Alvarium FM and AHRA to ensure that these remain in the best interests of the shareholders;
- ensuring that processes have been put in place to review the Company's risk management and internal control systems designed to safeguard shareholders' investment and the Group's assets; and
- monitoring and evaluating the performance of the other key service providers of the Company to ensure their continued competitiveness and effectiveness.

Activities during the year under review

Following its review during the year, the Committee, relying upon information reported to it and the Board by Alvarium FM, AHRA and other external parties, took comfort at the time that AHRA had invested available funds during the year, in line with the Group's Original Investment Policy to build a diverse portfolio of high-quality assets, let to tenants with expertise in supporting vulnerable homeless people, that should have provided growing and secure returns to the Company's shareholders as well as promoting independent living skills for those in need.

The Company announced on 10 March 2022 that Jamie Beale, part of AHRA's management team was leaving AHRA shortly thereafter. Post year end, the Company announced on 1 November 2022 that Gareth Jones, co-fund manager, would step back from the role whilst he took a period of leave for health reasons. Further, James Snape was appointed as Chief Financial Officer and Alex Baker was promoted to co-fund manager alongside Charlotte Fletcher. The Committee held several follow-on discussions with AHRA regarding its succession planning, proposed management changes, and the support AHRA receives from senior Alvarium Investments Limited (now AITi Asset Management Holdings 2 Limited) employees.

The Directors were satisfied, at the time, that the collective skillset of AHRA's team contained all the necessary skills and experience to best serve the interests of the shareholders in performing its delegated responsibilities.

As a whole, the Committee was satisfied, at the time, that AHRA and Alvarium FM had the suitable skills and experience to manage the Group's investments and to support its tenants, and considered that the continuing appointment of AHRA and Alvarium FM was in the best interests of shareholders as a whole.

The performance of the Company's service providers is closely monitored by the Board, through the Committee. The Committee's review of the key service providers comprised open and closed-ended questions and included a review of the quality of their services and fees to ensure they remained effective and competitive. This process also included reviewing each service provider's policies and procedures to ensure that they had adequate controls and procedures in place. In addition, during the year under review, the Committee established the process of holding individual in-person review meetings, to be conducted by the Directors, with each of the Company's main service providers on an annual basis. Several review meetings were held during the year and a formal scoring system had been adopted by the Directors in respect of the performance of each service provider.

Following a comprehensive review during the year, the Committee had concluded that the performance of all the Company's key service providers had been satisfactory and recommended their continuing appointment on the current terms.

Activities post the year under review

The Committee, on 25 April 2023, noted the key events in respect of the Company's service providers that had occurred since November 2022 as follows:

- AHRA being sold by its parent Alvarium RE Limited (now AITi RE Limited) on 30 December 2022 to the management team of AHRA funded by way of a promissory note.
- In January 2023, the appointment of A&M to conduct an investigation into allegations of wrongdoing. On 5 May 2023, A&M delivered to the Company a detailed report. Without waiver of privilege, the key findings of this report were:
  - arrangements with the Group's corporate tenants and vendors relating to the cost of refurbishment of properties were not brought to the attention of the Board by AHRA, so that the Board was unable to consider whether a release of a vendor's liabilities for refurbishment of properties was appropriate. These arrangements included a representative of AHRA, without the knowledge and authority of the Board, entering into a settlement agreement on 8 December 2022 between the Company and the Aggregators whereby the Company would pay £0.7 million and purportedly waive any refurbishment claims against the Aggregators in relation to 488 properties held by the Group.
  - the Board had not approved, or been provided with information regarding alternative arrangements to settle outstanding rent arrears;
  - there was limited evidence of detailed ongoing monitoring of tenants being undertaken by AHRA;
  - AHRA provided inaccurate information about occupancy rates to The Good Economy;
  - certain connections between tenants existed that were not disclosed to the Board; and
  - undisclosed potential outside business interests and undeclared potential conflicts of interest between certain persons associated with AHRA and third parties.
- Due to information that came to light which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period, together with low rent collection and further evidence of material information being withheld from the Board, on 15 March 2023, the Board agreed with AHRA by way of letter of agreement that the Company was entitled to terminate the IAA on or before 30 June 2023. On 30 June 2023, the IAA was terminated. On 25 May 2023, the Company and Alvarium FM agreed by way of variation agreement, as further varied on 18 July 2023, that the IMA would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 21 August 2023, the Company terminated the IMA.
- Following the Company announcement on 15 March 2023 that the Company was initiating a process to consider candidates as Investment Adviser, the Committee shortlisted three candidates and selected AEW as its preferred candidate.

AEW was initially appointed on 22 May 2023 as Property Adviser to the Company and was appointed on 21 August 2023 as the Investment Manager and AIFM of the Company. The Committee is satisfied that AEW has the suitable skills and experience to manage the Group's investments in accordance initially with the Amended Investment Policy and now with the new Investment Policy and considered that the continuing appointment of AEW is in the best interests of shareholders as a whole.

The Chair is independent of AEW.

The Committee also noted the appointment of JLL as the independent valuer to the Group on 18 July 2023. JLL were appointed to undertake the valuation as at 31 August 2022, 28 February 2023 and subsequent valuation points.

With due consideration of the events that have occurred post period end and the failure of several key service providers to raise material matters or concerns with the Board, the Committee determined for good governance all key services should be tendered except the recent appointment of AEW, JLL and the Broker. Any replacement of key service providers requires significant planning to ensure continuity of service and efficiency of handover during a phased replacement programme. AEW commenced tendering of several key service providers, however due to the Managed Wind-Down, the Board is considering whether the current service providers should remain in place. The MEC and the Board will continue to monitor the performance of key service providers and determine whether continued engagement remains appropriate.

Simon Moore

Chair of the Management Engagement Committee

10 October 2024

Report of the Nomination Committee

I present the report of the Nomination Committee (the "Committee" for purposes of this Report of the Nomination Committee only) for the year ended 31 August 2022.

Composition

The composition of the Committee is set out in the Corporate Governance Statement on page 53. Details of how its performance evaluation has been conducted are included on this and the next page.

Meetings

There have been two meetings of the Committee during the year. The Directors' attendance at these meetings is set out in the Corporate Governance Statement on page 53.

Role of the Nomination Committee

The primary responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board;
- ensuring plans are in place for orderly succession to the Board and ensuring that such plans promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- reviewing length of service of each Director and assessing if this impacts on their independence;
- considering the use of open advertising and/or an external search consultancy for each appointment;
- considering job specifications and whether the candidates have the necessary skills and time available to devote to the Company;
- arranging for any new Directors to be provided with training and induction;
- making recommendations to the Board regarding the Company's policy on the tenure of the Chair of the Board;
- making recommendations to the Board regarding the Company's policy on diversity and inclusion; and
- performing a formal and rigorous evaluation of the Board, its Committees, the Chair of the Board and individual Directors on at least an annual basis, including, if appropriate, considering engagement of an external evaluator to facilitate the evaluation.

Activities

During the year, the Committee:

- reviewed its terms of reference and considered whether these remained appropriate;
- considered the results of the evaluation of the Board, its Committees, the individual Directors and the Chair;
- as part of the evaluation process, considered the Board's composition with reference to the mix of skills, diversity, knowledge and experience, and how these aligned with the Group's strategic objectives and the opportunities and challenges faced by it;
- agreed the policy regarding the tenure of the Board members;
- reviewed the significant commitments of the Directors and the time dedicated by them to the affairs of the Company;
- made recommendations to the Board regarding the Directors' annual re-election by shareholders at the AGM; and
- discussed the succession plans for the Board to ensure its progressive refreshing.

Performance evaluation

A formal annual performance evaluation process is undertaken for the Board, the Committees, the individual Directors and the Chair. The Directors are aware that they continually need to monitor and improve Board performance and recognise that this can be achieved through regular Board evaluation, which provides a valuable feedback mechanism for improving Board effectiveness.

The Directors have undertaken an internal performance evaluation by way of completing written questionnaires, led by the former Chair during the period, Lynne Fennah, specifically designed to assess the strengths and independence of the Board and the performance of its Committees, the Chair and the individual Directors. The questionnaires are also intended to analyse the focus of Board meetings and assess whether they are appropriate, or if any additional information may be required to facilitate Board discussions. Any training needs identified as part of the evaluation process are also considered by the Board. The evaluation of the Chair was carried out by the other Directors of the Company, led by the Senior Independent Director.

The results of the Board evaluation process were reviewed and discussed by the Committee. The Committee's deliberations concluded that as a whole the Board functions effectively and the current Committee structure remains appropriate. The former Chair during the period, Lynne Fennah, led the Board effectively and promoted a culture of openness and debate, and facilitated constructive Board relations and the effective contribution of all Directors. In liaison with the Company Secretary, she ensured that the Directors received accurate, timely and clear information to the extent possible with the limitation on the accuracy and completeness of the information provided by AHRA; and all of the Directors in office at the time made an effective contribution and had the requisite skills and experience to continue to provide able leadership and direction for the Group. All Directors were considered to be independent of AHRA in both character and judgement.

Certain areas of improvement were identified at the time. These areas and recommendations of next steps as agreed at the time are outlined below:

Key area	Recommendations
Board composition	With the Group's growth since IPO and its admission to the FTSE 250, the Committee identified a need to appoint an additional Board member. The Group would engage a specialist external executive search agency to identify an independent non-executive Director for appointment in 2023.
Board training	Beginning in 2023, the Directors received, and would continue to receive, individual training plans and would record a formal training log. The Group expected to leverage its key service providers for periodic training sessions, and a formal induction for new Director appointments would be undertaken.
ESG Committee	Formal terms of reference of the ESG Committee would be approved and uploaded to the Group's website in 2023. The Directors would receive ESG training and would benefit from AHRA's recently appointed Head of ESG.
Strategy day	In 2023, the Group would hold a Strategy Day with AHRA and other key service providers. The effects of future potential macroeconomic events, enhancing stakeholder communication and the Group's ESG objectives were possible areas for discussion.

Due to the very significant challenges experienced by the Company, the Board did not progress the strategy day or the ESG committee. New board appointments are detailed below.

In accordance with the AIC Code, being a FTSE 250 constituent, the Group is required to have an externally facilitated Board evaluation at least every three years. It was intended that in 2023, an external agency would be engaged to conduct this process, however, due to unexpected events that have arisen and the subsequent change in Board personnel this process has been run internally in 2024 and the use of an external agency was not deemed to be the best use of shareholder resources at this time.

Appointment of Directors

Following the year end, a formal, phased succession process was initiated by the Company in September 2023, with the aim that the majority of the Directors in office at IPO will have departed at or around the point of restoration of trading in the Company's shares and that the Board will transition entirely within 12 months, allowing a period of handover. Accordingly, Michael O'Donnell was appointed as the Chair of the Company with effect from 18 January 2024 and Peter Williams as the Senior Independent Director from 2 April 2024. Rod Day was appointed as Independent Non-Executive Director on 7 June 2024. In assembling the new Board, careful consideration was given to the appropriate skills, experience, knowledge, culture, capacity and independence of the incoming Board members. The Committee worked alongside the Board in this process and made recommendations to the Board regarding the appointment of the new Directors.

Fidelio Partners, an independent external executive search agency with no connection to the Company or its Directors, was engaged by the Company for the purposes of identifying potential candidates from a diverse range of experience, skills, backgrounds, and ethnicities.

Election and Re-election of Directors

Michael O'Donnell, although only appointed on 18 January 2024, retired and stood for re-election as required under the Articles, at the AGM on 29 February 2024. Peter Williams and Rod Day are expected to stand for re-election at the General Meeting to approve the 2023 accounts.

Board diversity

The Board's diversity policy is based on its belief that the Board should have a diverse range of experience, skills and backgrounds. When making recommendations for new appointments to the Board and planning for Board succession, the Committee will take into consideration the recommendations of the AIC Code, the Parker Review and other guidance on boardroom diversity and inclusion.

As at 31 August 2022, the Board comprised two female and two male Directors. All Directors are members of each of the Board Committees, therefore, the gender representation set out below is the same for the Board and its various Committees. The Committee is mindful of the recommendations of the Parker Review to have at least one director from an ethnic minority background on the Board by December 2024.

	Number of Board members	Percentage of the Board (%)	Number of senior positions on the Board (SID and Chair)
Men	2	50	1
Women	2	50	1

Due to unexpected events that have arisen and the subsequent change in Board personnel further appointments are unlikely to be made.

Tenure and succession planning

The Company has no employees, and AEW is external to the Company, therefore the Board's oversight of succession planning is restricted to the Board level. The Board will, from time to time and where appropriate, discuss the succession plans of AEW through its Management Engagement Committee.

The Board's succession plan is guided by its policy on tenure. The Board has agreed on a limit of nine years on the tenure of the Directors, in line with the recommendations of the AIC Code. It believes that the tenure should balance the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition, in order to maintain an appropriate mix of the required skills, experience, knowledge and length of service. The Company ensures that its succession plan is based on merit and objective criteria and promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Committee may use open advertising and/or the services of external advisers to facilitate the search for diverse candidates for a new director role. There were no appointments to the Board during FY22. Following the year end, as announced on 4 September 2023, the Board initiated a formal and phased Board succession process, with three new directors subsequently appointed and it remains the intention of the Directors in office at IPO to stand down on publication of the 2023 annual report.

Michael O'Donnell

Chair of the Nomination Committee

10 October 2024

Directors' remuneration report

Annual report on Directors' remuneration

The Directors' Remuneration Report for the year ended 31 August 2022 is set out below.

Statement from the Chair of the Board

As the Board consists entirely of independent non-executive directors, it is not considered appropriate for the Company to establish a separate remuneration committee and the remuneration of the Directors is therefore dealt with by the Board as a whole. No Director is responsible for determining their own, individual remuneration.

During the year ended 31 August 2022, the fees were paid at the rate of £50,000 for the Chair of the Board and £36,000 for the other Directors, with an additional payment of £5,000 to the Chair of the Audit Committee. The Directors' fees are fixed with no variable element. Following review, it was decided that the current levels of remuneration for the Directors remained appropriate and no changes were proposed for the financial year ended 31 August 2023.

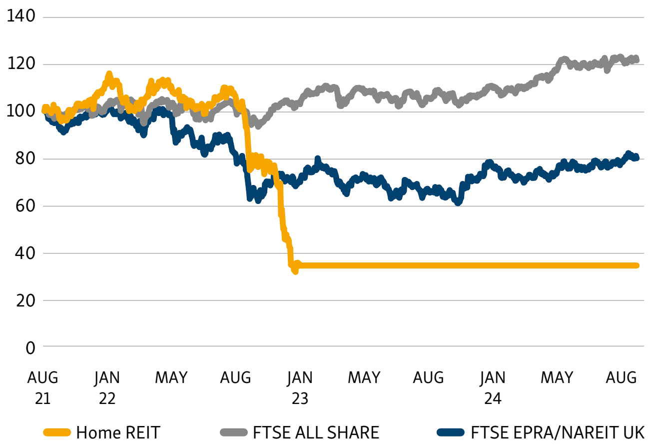
The fees payable to the Directors will be reviewed on an annual basis, as detailed in the Directors' Remuneration Policy on page 74.

The Company is required to obtain formal approval from shareholders of the Directors' Remuneration Policy once every three years and in any year if there are any changes proposed to the policy. Shareholders are requested to approve the Directors' Remuneration Report on an annual basis. The vote on the Directors' Remuneration Policy is subject to a binding vote, while the vote on the Directors' Remuneration Report is an advisory vote.

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 27 January 2022. No significant changes are proposed to the way in which this current, approved Directors' Remuneration Policy will be implemented during the course of the next financial year. An ordinary resolution will be put to shareholders at the general meeting to approve the 2022 accounts to be held as soon as possible following the publication of the 2022 and 2023 Annual Reports and Accounts, to receive and approve the Directors' Remuneration Report.

Performance of the Company

The following graph compares, since IPO and up to the date of this report, the total shareholder return of the Group's Shares relative to a return on a hypothetical holding over the same period in the FTSE EPRA/NAREIT UK Index and the FTSE All Share Index. These indices have been chosen by the Board as the most appropriate to compare the Group's performance. Total shareholder return is the measure of returns provided by a Group to shareholders reflecting share price movements and assuming reinvestment of dividends.



Directors' remuneration (audited)

	Fees		Expenses		Total		
	For the year ended 31 August 2022 £	For the period ended 31 August 2021 £	For the year ended 31 August 2022 £	For the period ended 31 August 2021 £	For the year ended 31 August 2022 £	For the period ended 31 August 2021 £	Percentage change in fees* %
Lynne Fennah (Chair)	50,000	44,551	–	–	50,000	44,551	0
Peter Cardwell	36,000	32,077	–	–	36,000	32,077	0
Simon Moore	36,000	32,077	–	–	36,000	32,077	0
Marlene Wood (Chair of the Audit Committee)	41,000	36,532	870	168	41,870	36,700	0
	163,000	145,237	870	168	163,870	145,405	0

* The prior period was shorter than 12 months, being from the Group's IPO on 12 October 2020 to 31 August 2021. On a year-on-year basis, there has been no change to the Directors' fees levels.

There are no variable elements in the remuneration payable to the Directors. None of the above fees was paid to third parties.

Relative importance of spend on pay

The following table sets out:

- the remuneration paid to the Directors;
- the distributions made to shareholders by way of dividends; and
- the investment advisory fees incurred by the Group.

	Year ended 31 August 2022 £'000	Period ended 31 August 2021 £'000	Change %
Directors' fees	163	145	12.4
Investment Adviser's fee	5,322	1,828	191.1
Dividends	28,320	3,993	609.2

Note: the items listed in the table above are as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, with the exception of the investment advisory fee, which has been included because the Directors believe it will help shareholders' understanding of the relative importance of the spend on pay. Director's fees exclude associated employment taxes, which are included in Director's fees in Note 6 to the Consolidated Financial Statements..

Directors' shareholdings (audited)

There is no requirement under the Articles, or the terms of their appointment, for Directors to hold Shares in the Group. The Directors had the following shareholdings in the Group all of which are beneficially owned.

Directors	31 August 2022	31 August 2021
Lynne Fennah	55,000	50,000
Peter Cardwell	10,000	10,000
Simon Moore	56,000	36,000
Marlene Wood	30,000	20,000

There have been no changes to these interests between 31 August 2022 and the date of signing this Report. None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements, or agreements during the year.

Voting at AGM

The Directors' Remuneration Report for the period ended 31 August 2021 and the Directors' Remuneration Policy were approved by shareholders at the AGM held on 27 January 2022. The votes cast by poll were as follows::

	Directors' Remuneration Report		Directors' Remuneration Policy	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	398,376,681	99.98	397,650,222	99.80
Against	60,825	0.02	787,284	0.20
Total votes cast	398,437,506	100.00	398,437,506	100.00
Number of votes withheld	35,024		35,024	

Directors' remuneration policy

Introduction

The Directors' Remuneration Policy is put to a shareholders' vote every three years and in any year if there is to be a change in the policy. A resolution to approve this Remuneration Policy was approved at the Company's AGM held on 27 January 2022. The resolution was passed, and the Remuneration Policy provisions set out below will apply until they are next put to shareholders for renewal of that approval. In the event of any proposed material variation to the policy, shareholder approval will be sought for the proposed new policy prior to its implementation.

Policy

Fees

The Directors' fees are determined within the limits set out in the Articles and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits.

The Directors' fees are paid at fixed annual rates and do not have any variable or performance related elements.

The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The non-executive Directors shall be entitled to fees at such rates as determined by the Board subject to the maximum aggregate fee limit of £500,000 set out in the Articles.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount. Fees are payable from the date of appointment as a Director of the Group and cease on date of termination of appointment.

The Board will not pay any incentive fees to any person to encourage them to become a director of the Group. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chair of Board	Fees for services as chair of a plc	Determined by the Board
Annual fee	Other Directors	Fees for services as non-executive directors of a plc	Determined by the Board
Additional fee	Chair of Audit Committee	For additional responsibilities and time commitment	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

No Director is involved in setting their own remuneration and the Company's conflict of interest policy and procedures (see page 54) apply to the Board when undertaking their duties.

Statement of consideration of conditions elsewhere in the Company

The Company has no employees. Therefore, the process of consulting with employees on the setting of the remuneration policy is not applicable.

Review

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board.

The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, the complexity of the Company and prevailing market rates for the real estate investment trust sector.

Directors' service contracts

The Directors do not have service contracts with the Company.

The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, in accordance with the AIC Code, they are subject to annual re-election.

Statement of consideration of shareholders' views

The Company is committed to engaging in ongoing shareholder dialogue and takes an active interest in voting outcomes. If there are substantial votes against resolutions in relation to Directors' remuneration, the Group will seek the reasons for any such vote and will detail any resulting actions in the next Directors' remuneration report.

Approval

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Michael O'Donnell Chair
10 October 2024

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website has been delegated to AEW, but the Directors' responsibility extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors, to the best of their knowledge, confirm that:

- the Group financial statements, which have been prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Approval

This Directors' responsibilities statement was approved by the Board and signed on its behalf by:

Michael O'Donnell
Chair

10 October 2024

Independent auditor's report to the members of Home REIT plc

Disclaimer of Opinion

We do not express an opinion on the accompanying financial statements of the Group and Company. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of Home REIT Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 August 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies (the "Consolidated Financial Statements"). The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Company financial statements, is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for disclaimer of opinion

As detailed in Note 26 to the Consolidated Financial Statements, there have been a number of post balance sheet events which have materially impacted the Annual Report.

We acknowledge that the Directors have attempted to obtain the information that we considered necessary for audit purposes. However, in some cases the Directors have not been able to obtain the information and as a consequence, the Directors have had to make a number of assumptions in order to prepare these financial statements as detailed in Note 3 to the Consolidated Financial Statements. During the course of our audit, we sought to obtain sufficient appropriate audit evidence in respect of a number of pervasive and/or material areas of the financial statements and related notes to the financial statements but for the reasons outlined below, this information has not been provided.

We have therefore not been able to obtain sufficient appropriate audit evidence to form the basis for an audit opinion on the Consolidated and Company Financial Statements. We specifically draw attention to the lack of sufficient appropriate audit evidence in the following pervasive and/or material areas which apply to both the Consolidated and Company Financial Statements as set out below:

- **Investment properties are included at a value in the Group of: £414.3m (2021: £320.9m), Company: £3.4m (2021: £8.8m)**
  As detailed in Note 3 to the Consolidated Financial Statements, the Directors have, given the lack of appropriate records available to them, had to make assumptions as to the credit quality of the tenant and the physical condition of the investment properties as at 31 August 2022. Jones Lang LaSalle Limited ("JLL"), the Group's independent external investment property valuer, used these assumptions determined by the Directors when making their own assessment of the valuation of the investment properties as at 31 August 2022. These conditions impose a limitation in the scope of our audit work as we have been unable to obtain sufficient appropriate audit evidence as to the physical condition of the properties at the balance sheet date;
- **Investment property cost in the Group of £918.4m (2021: £312.8m), Company: £8.8m (2021: £9.0m)**
  As detailed in Note 3 to the Consolidated Financial Statements, the Group purchased a number of investment properties where significant refurbishment work was required to be completed by the vendor before the investment properties were in a condition where they were fit for their intended use by the Group's tenants. The Directors concluded that an element of the purchase price should have initially been classified as a prepayment and then transferred to the cost of the investment property as those works were completed. As a result of the lack of adequate accounting records and information available to the Directors, the Directors have made a number of assumptions as to the element of the purchase cost allocated to prepayments as at 31 August 2021 and 31 August 2022;

The Directors also reviewed the substance of the rental agreements in place in respect of the period ended 31 August 2021 and the year ended 31 August 2022. We have been informed by the Directors that they are not aware of any contractual agreements between the vendor, tenant or the Company however, as detailed in Note 3 to the Consolidated Financial Statements, the Directors are now of the opinion that the substance of the agreements entered into by the Group with the vendors of the investment properties and the tenants was such that the Group gave indirect inducements to its tenants which should have been recorded as an asset separate from investment property. Where properties were not fit for their intended use as at the date of acquisition by the Group (ie for unhabitable properties), the directors have recognised a lease inducement receivable for unhabitable properties at the date of acquisition. Previously the Group had treated such arrangements in accordance with the legal form of the lease and as such these amounts had previously been accounted for as rental income by the Group and included in the Consolidated Statement of Comprehensive Income.

In making its assessment of the lease receivable for unhabitable properties, the Directors have had to make assumptions over both the condition of the property as at the date of acquisition and also the length of the period that the inducement was provided over. The assessment of what constitutes lease inducement receivables for unhabitable properties, prepaid Seller's Works and lease incentives has a knock-on effect on the determination of cost of investment properties as the initial cash flows are allocated to each element as relevant.

As a result of these assumptions and the lack of accounting records and information available to the Directors, there is a limitation in the scope of our work over the acquisition cost of investment properties. Further details regarding the above matters are set out in Note 3 to the Consolidated Financial Statements.

The independent investigation carried out by the Directors (the "Investigation") identified potential related party transactions of individuals viewed as forming part of key management which had not been disclosed to the Directors nor to us as auditors. We have been unable to ascertain whether or not these potential related party transactions occurred and if they did whether they were carried out on an arms-length basis. As a result of this, the Directors have not been able to provide us with the evidence to determine whether an element of the purchase price should have been expensed as it did not meet the criteria for capitalisation in accordance with the relevant accounting standards. Further details on related party transactions are set out in Note 19 to the Consolidated Financial Statements and Note 16 to the Company Financial Statements.

- **Trade and other receivables in the Group of £16.1m (2021 £3.1m), Company (excluding inter-company receivables: £0.2m (2021: £0.2m)**
  As set out in the investment property cost section above, the Directors have made assumptions with regards to the accounting for the acquisition of investment properties which resulted in the establishment of a lease inducement for unhabitable properties (see Note 3 to the Consolidated Financial Statements). As a result of the lack of accounting records available to us as detailed in the investment property cost points noted above, there is insufficient audit evidence as to the existence of trade receivables, lease inducement receivables for unhabitable properties and rent not recognised because properties were unhabitable and therefore a limitation in the scope of our work.

  Furthermore, as set out in the investment property cost section above, the Directors have made assumptions with regards to the accounting for the acquisition of investment properties whereby an element of the purchase price was reclassified as prepaid seller's works (see Note 3 to the Consolidated Financial Statements). As a result of the lack of accounting records available to us as detailed in the investment property cost points noted above, there is insufficient audit evidence as to the amount recognised on acquisition and the timing for write off of these works and therefore a limitation in the scope of our work.

  Additionally, there is insufficient audit evidence available to support the ageing of trade receivables due to lack of evidence to support the allocation of cash received to individual trade receivable balances such that there is uncertainty as to what invoices remain outstanding, and consequently, there is therefore a further limitation of scope over the Directors' assessment of the recoverability of trade and other receivables;

- **Restricted cash in the Group of £101.8m (2021: £39.9m), Company: £nil (2021: £0.4m)**
  As detailed in Note 3 to the Consolidated Financial Statements, in certain circumstances, a retention for a portion of the Seller's Works was deducted from the cash paid to the vendor as protection against the vendor not completing the Seller's Works. We have been informed by the Directors that the release of the retention did not always follow the receipt of a certificate of practical completion and as a result were recorded on a cash basis. As a result, there is a limitation in the scope of our work regarding whether retentions released during the period have been appropriately accounted for and whether they have been recorded in the correct period.

  Furthermore, as detailed in Note 12 to the Consolidated Financial Statements, on 18 June 2021 the Company entered into an escrow agreement with a tenant whereby an affiliate of Karla Asset Management Limited provided £0.75m to an escrow account in the name of Home REIT PLC with such funds to be used as approved by two AHRA fund managers. We have been informed by the Directors that these individuals were acting without the knowledge or authority of the Directors. We have been informed by the Directors that they are not aware of any other similar escrow accounts existing, however as a result of the lack of adequate accounting records and information available to the Directors, we are unable to conclude whether other similar arrangements exist and as such, there is a limitation in the scope of our work regarding the completeness of cash and cash equivalents.

- **Total income in the Group of £7.0m (2021: £11.0m), Company: £0.3m (2021: £1.1m)**
  The Directors have had to make a number of assumptions due to the lack of contractual obligations and evidence as detailed in Note 3 of the Consolidated Financial Statements. Due to the assumptions made by the Directors over the rent commencement date and the lack of audit evidence to support these assumptions, we have been unable to obtain sufficient appropriate audit evidence in respect of:
  - the classification of cash received between rental income and lease inducement receivables for unhabitable properties for the year ended 31 August 2022 and for the comparatives for the period ended 31 August 2021;
  - the completeness and accuracy of the straight-line rent adjustment to rental income for the year ended 31 August 2022 and the comparatives for the period ended 31 August 2021; and
  - the associated impairment of the lease inducement receivable and straight-line rent adjustment.
- **General and administrative expenses in the Group of £9.9m (2021: £3.3m), Company: £8.7m (2021: £3.1m)**
  As noted above, the Directors have had to make a number of assumptions due to the lack of contractual obligations and evidence as detailed in Note 3 of the Consolidated Financial Statements. As a result of potential commissions paid on acquisition of the investment properties that have been capitalised as additions to the cost of investment properties in the Statement of Financial Position, but which potentially should have been expensed in the Consolidated Statement of Comprehensive Income, we have been unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of expenses for the year ended 31 August 2022.
- **Provision for expected credit losses of trade receivables in the Group of £1.9m (2021: £nil), Company: £nil (2021: £nil)**
  As set out in the trade and other receivables section above, there is insufficient audit evidence available to support the ageing of trade receivables and consequently, there is therefore a further limitation of scope over the Directors' assessment of the recoverability of trade and other receivables.
- **Write-off of Seller's Works not initiated or completed in the Group of £11.9m (2021: £3.7m), Company: £nil, (2021: £0.4m)**
  As detailed in Note 3 to the Consolidated Financial Statements, the Directors have had to make a number of assumptions due to the lack of contractual obligations and evidence. Due to the assumptions made by the Directors and the lack of audit evidence to support these assumptions in relation to the unwind of the prepaid Seller's Works, we have been unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of the write-off of Seller's Works not initiated or completed during the year ended 31 August 2022.
- **Change in fair value of investment property in the Group of (£452.9m) (2021: £14.0m), Company: £5.1m, (2021: £0.4m)**
  As a result of the limitations detailed above with regards to investment property valuations and the historical purchase cost of investment properties, we have been unable to obtain sufficient appropriate audit evidence over the completeness and accuracy of the movement in the fair value of investment property included in the Consolidated Statement of Comprehensive Income for the year ended 31 August 2022 and the period ended 31 August 2021.
- **Related party disclosures**
  The Investigation identified potential related party transactions with individuals viewed as forming part of key management which had not been disclosed to the Directors nor to us as auditors. This leads to a limitation of scope as to whether key management disclosures are complete and accurate. The key reasons giving rise to these limitations are as follows:
  - there is an absence of appropriate processes and records in the year to capture all related parties and transactions that may have taken place with those parties;
  - the findings from the Investigation are inconclusive in terms of establishing whether or not related party transactions exist; and
  - following the termination of the relationship with AHRA on 30 June 2023, we were then limited as to enquiries that could be made of individuals who were present throughout the year being audited.

  Should there be further relationships which by their nature would be disclosed as related parties and/or identified as key members of AHRA, then transactions made with those related parties may have been made outside of normal commercial terms and which may result in revisions being required to the recording and disclosure of such transactions. We have therefore been unable to conclude that the Group and Company financial statements are free from material misstatement arising from the omission of related party transactions being fully disclosed and we are unable to determine whether the disclosures in respect of related party transactions with key members of AHRA in the Consolidated Financial Statements and Company Financial Statements are complete and accurate. In addition, and without further modifying our opinion, a number of other matters highlighted by the Investigation have been included within the Key Audit Matters section of this report below.

- **Consolidated Statement of Cash Flows**
As a result of the limitations outlined above, we were unable to obtain sufficient appropriate audit evidence over certain items disclosed in the Consolidated Statement of Cash Flows and the associated Notes to the Consolidated Financial Statements.
- **Opening balances as at 1 September 2021**
In respect of the matters set out above, we have also not been able to obtain sufficient appropriate audit evidence in respect of opening balances as at 1 September 2021 and the corresponding figures for the period ended 31 August 2021 in all cases. In particular, in respect of the 31 August 2021 valuation we have not been able to determine the impact, if any, the matters identified in Note 3 and Note 9 to the Consolidated Financial Statements would have on the inputs that were provided by the Directors to the previous independent valuer for use in determining the value of the investment properties as at 31 August 2021.
- **Borrowings (disclosure only)**
We were unable to obtain sufficient audit evidence to support the disclosures regarding the fair value of borrowings as disclosed in Note 10 to the Consolidated Financial Statements.
- **Notes to the financial statements**
As a result of the limitations outlined above, we were unable to obtain sufficient appropriate audit evidence in respect of the Notes to the financial statements.

In addition, in respect of the Company financial statements we have been unable to obtain sufficient appropriate audit evidence in respect of the carrying value and associated impairment charge regarding the Company's investment in subsidiary undertakings. The carrying value of the investment in subsidiary undertakings of £nil (2021 - £10.4m) is based on the value of the assets and liabilities of the subsidiary undertakings. For the reasons detailed above we have been unable to obtain sufficient appropriate audit evidence regarding those assets and liabilities detailed above to support the carrying value of the investment in subsidiaries. For the same reason we have been unable to obtain sufficient appropriate audit evidence regarding the expected credit loss over the amounts due from subsidiaries of £329.5m (2021 - £211.8m) and the ageing thereof.

As a result of the matters set out above, we were also unable to determine whether any adjustments might have been found necessary in respect of the relevant elements making up the financial statements of the Group and/or Company. The possible effects of any undetected misstatements in respect of these matters, if any, could be pervasive and/or material to the financial statements. We have not been able to obtain sufficient appropriate audit evidence through the performance of additional procedures.

Notwithstanding the disclaimer of opinion, our audit report is consistent with the final report presented to the Audit Committee.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw your attention to Note 1 to the Consolidated Financial Statements which explain that as a result of (i) the uncertainty over the timing of asset sales; (ii) risks around continued lender support; (iii) the threatened litigation; (iv) the FCA Investigation; and (v) the orderly wind-down of the Group's and Company's operations, the Directors consider it to be appropriate to adopt a basis of accounting other than going concern in preparing the Consolidated Financial Statements and Company Financial Statements. Accordingly, these financial statements have been prepared on a basis other than going concern as described in Note 1 to the Consolidated Financial Statements. Our opinion is not modified in respect of this matter.

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. This matter was 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 this matter.

In addition to the matters included in the Basis for disclaimer of opinion section above, some of which we are required by ISAs (UK) to also include as key audit matters below, we determined the matters described below to be key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter		How the scope of our audit addressed the key audit matter
Investment property valuations Refer to Notes 2 to 3 to the Consolidated Financial Statements and Notes 2 to 3 to the Company Financial Statements in relation to significant judgements, estimates and accounting policies. Refer to Note 9 to the Consolidated Financial Statements in relation to investment properties.	The valuation of investment property requires significant judgement and estimation by the Directors and the independent valuer appointed by the Company and is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. Where the valuer has deemed a property to be unhabitable or the tenant to be of very poor covenant strength, they have assumed that a hypothetical purchaser following due diligence would have disregarded the lease and valued them on the basis of Market Value – Vacant Possession ("MV-VP"). In this scenario valuations are based on comparable market transactions considering primarily capital values. Where the valuer has deemed a property to be in a reasonable condition, capable of beneficial occupation and let to a tenant who is likely to meet their obligations in the short term, the valuers have adopted an investment approach. In this scenario the valuer makes assumptions as to yield, the length of capitalisation period and the MV-VP value on reversion at the end of the capitalisation period.	Given the passage of time between the appointment of JLL as independent property valuers in August 2023 and the year-end, our approach to auditing the August 2022 valuations was to audit the valuations as at August 2023 performed by JLL and to then perform roll back procedures using house price indices data to develop expectations of the August 2022 valuations. The procedures outlined below were therefore performed in respect of the August 2023 valuations to facilitate this approach. Experience of the independent property valuer and relevance of its work • We obtained the valuation report prepared by the independent property valuer, JLL, and discussed the basis of the valuations with them. We determined whether the basis of the valuations was in accordance with the requirements of accounting standards. • We assessed JLL's experience, qualifications, competency, independence and basis of the valuation. • We obtained a copy of the engagement letter with JLL and reviewed for any limitations in scope or for evidence of management bias. Data provided to the independent valuer ("JLL") • We checked the underlying data provided to JLL by the Directors. This data included inputs such as current rent and lease term, and we agreed a sample to the executed lease agreements as part of our audit work.

Key audit matter		How the scope of our audit addressed the key audit matter
Investment property valuations continued	Any input inaccuracies (such as the physical condition of properties) or unreasonable bases used in the valuation judgements (such as in respect of vacant value and yield profile applied) could result in a material misstatement of the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position. The lack of accurate information regarding, and adequate monitoring of, the condition and occupancy of the properties combined with the appointment of a new independent valuer after the balance sheet date, has led to the independent valuers having to make assumptions regarding the physical condition of properties at the balance sheet date. There is also a risk of fraud in relation to the valuation of the property portfolio where the Directors may influence the significant judgements and estimates in respect of property valuations in order to manage market expectations.	• JLL inspected a sample of properties internally and externally but relied on the Directors' assessment of the physical condition of the properties across the portfolio. The Directors engaged their own expert, Vibrant Energy Solutions Ltd ("Vibrant"), to review the internal and external physical condition of certain of the Group's properties (see Note 9 to the Consolidated Financial Statements on pages 117 to 120). The inspections by Vibrant took place between August 2023 and May 2024. We assessed the experience, qualifications, competency and independence of the Directors' expert, Vibrant. In addition, we observed Vibrant performing a site inspection to enable us to assess the process as part of our evaluation of their work. We considered the level of coverage that the Directors achieved through their programme of inspections and tested a sample of data provided to JLL to the inspection report to test the accuracy of data, such as the condition of the property and the number of bedrooms. Assumptions and estimates used by the independent property valuer ("JLL") – MV-VP basis • We obtained the comparable market evidence used by JLL to form the basis of their valuations for a sample of properties. With the assistance of our in-house RICS qualified valuation experts, we performed our own market research of sold property prices using available independent industry data, reports and comparable transactions in the market, as well as the Group's post year-end auction sales to consider whether there is any contradictory market evidence. We considered whether the independent expectations set by the audit team corroborated or contradicted information presented by JLL. Where contradictory evidence was identified, we challenged JLL on these matters and obtained supporting explanations and documentation for the variances. • For a sample of residential investment assets, in addition to the procedures performed above, we enquired of JLL as to how the gross yield and condition adjustments were determined and obtained corroborating evidence. We also considered whether any contradictory evidence existed. • In respect of the sample selected, we discussed the assumptions used and the valuation movement in the period with both AEW and JLL. Where the valuation was outside of our expected range, we challenged JLL on specific assumptions and corroborated their explanations where relevant, including agreeing to third party evidence.

Key audit matter	How the scope of our audit addressed the key audit matter
Investment property valuations continued	Assumptions and estimates used by the independent property valuer JLL – investment approach • We obtained the discounted cash flow ("DCF") model, prepared by AEW on behalf of the Directors, which had been produced to mirror JLL's model. We compared the valuation per the Directors' model to JLL's valuations and investigated any difference greater than 10% either individually or in aggregate. We determined that a threshold of 10% was appropriate based on RICS guidance which states that the permitted margin of error when carrying out a valuation of property based on case law refers to a margin of error between 10% and 15% depending on the facts. • For all properties we tested the key inputs into the model. • For a sample of properties, we performed the procedures set out above in relation to MV-VP properties (as MV-VP was used as the exit value within the model). • With assistance from our in-house RICS qualified valuation experts, we considered the relationship between MV-VP value and fair value. • We discussed the assumptions used with both AEW and JLL. Where the valuation was outside of our expected range, we challenged JLL on specific assumptions and corroborated their explanations where relevant, including agreeing to third party evidence. For all properties selected for detailed testing, we obtained the JLL valuation pack and inspection form. We performed a Google images search and compared this to the JLL pack as a first step to corroborate the physical state of the property and challenged JLL where differences were noted. In addition, as noted above, the Directors engaged Vibrant to review the internal and external physical condition of certain of the Group's properties (see Note 9 to the Consolidated Financial Statements on pages 117 to 120). In addition, we attended a sample of site inspections with Vibrant to observe the Directors' expert as part of our evaluation of competency and their work assessing the internal and external physical condition of investment properties. We also obtained previous sales data for each property sampled and where recent sales history was available, we compared this to the JLL valuation and challenged JLL where differences arose.

Key audit matter	How the scope of our audit addressed the key audit matter
Investment property valuations continued	From discussions with JLL, we ascertained that JLL had analysed post year-end sales data for assets sold from the Group's portfolio. We compared the sales prices achieved for properties sold post year-end to the August 2023 JLL valuation. Where the difference was outside of our expected range, we discussed this with JLL and challenged the year-end valuation accordingly. For all properties we considered the adequacy of the disclosures with regards to investment property valuations. We challenged the Directors and JLL to consider the impact of the results of the final inspection programme on the valuation of the Group's properties. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion section above.

Key audit matter		How the scope of our audit addressed the key audit matter
Property acquisition cost, Seller's Works and lease inducements Refer to Notes 2 to 3 to the Consolidated Financial Statements and Notes 2 to 3 to the Company Financial Statements in relation to significant judgements, estimates and accounting policies. Refer to Note 9 to the Consolidated Financial Statements in relation to allocation of purchase price between property acquisition cost, Seller's Works and lease inducements.	As detailed in Note 3 to the Consolidated Financial Statements, the Group purchased a number of properties where significant refurbishment work was required to be completed by the vendor before the properties were in a state where they were fit for their intended use by the Group's tenants. These properties were let on fully repairing leases whereby it was the responsibility of the tenant to maintain the upkeep of the properties in a state fit for use. The Group had historically accounted for these acquisitions in accordance with the legal form of the lease and purchase agreements. Significant judgement was required when considering the substance of these transactions and whether or not the accounting for such transactions should follow the legal form or the substance. The Directors, in light of the information now known, reconsidered the historical accounting and concluded that the accounting treatment should more appropriately reflect the substance of the transaction not the legal form. This has led to a prior period adjustment, as set out in Note 4 to the Consolidated Financial Statements, which affects the following financial statement areas: • Investment properties • Trade and other receivables • Prepayments • Rental income • Movement in fair value of the investment property valuations	We challenged the Directors as to the appropriateness of the historic accounting for these transactions. We obtained the Directors' original paper on the accounting for the transactions. We assessed the Directors' competence and independence with regards to their assessment of the historical accounting for such transactions and as a result we advised the Directors to appoint an expert to assist them with the accounting for such transactions. We assessed the competence and independence of the Directors' expert. We obtained the revised paper on the accounting for the acquisition of investment properties and challenged the conclusions. We considered the adequacy of the disclosures made regarding the estimates and judgements and the prior period adjustment. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion section above.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition Refer to Notes 2 to 3 to the Consolidated Financial Statements and Notes 2 to 3 to the Company Financial Statements in relation to significant judgements, estimates and accounting policies. Refer to Note 5 to the Consolidated Financial Statements in relation to Rental Income.	As a result of the lack of accounting records and information available to the Directors (see pages 106 to 109), a number of judgements and manual adjustments have been made by the Directors to revenue including: • Whether a property was habitable on acquisition and thus able to generate rental income. • The rent commencement date (which may be different to the lease commencement date). • Whether lease inducements had been granted to tenants.	We challenged the Directors with regards to the assumptions made, their basis and sought evidence. Due to the lack of the existence of contractual obligations and/or evidence of such contractual obligations there was a limitation over our work. We obtained the Directors' schedule with regards to the physical status of investment properties. Given the lack of contemporaneous evidence with regards to the condition of investment properties at the acquisition date, we were unable to conclude as to the reasonableness of the Directors' assumptions applied in calculating rental income with regard to the habitability of the property, the length and the start date of the lease. We made enquiries of the Directors as to details of any lease inducements entered into. We reviewed a sample of leases for evidence of lease inducements. We made enquiries of the Group's lawyers for details of any amendments to leases during the period and post year-end that they had been party to. We considered statements made in the public domain by the Company, as to the existence of lease inducements. We read and considered the results of the forensic investigation undertaken by the Directors' expert for evidence of lease inducements entered into. Given the lack of contractual obligations and audit evidence available, we were unable to conclude as to the value and accounting of the lease inducements. We obtained a listing of journals posted to revenue outside of the transactional revenue entries and attempted to obtain supporting explanation/documentation as applicable to ensure appropriate. Given the limitations detailed in the Basis for disclaimer of opinion, we were unable to corroborate journals to supporting documentation. We set expectations for the rental income invoiced in the period based on the tenancy schedules as at 31 August 2021 and 31 August 2022. We compared our expectations for the total rental income in the period, before the manual adjustments noted above, to that included in the Consolidated Financial Statements and investigated any differences above a pre-determined threshold. We obtained the tenancy schedule and agreed a sample of amounts to supporting lease documentation. As a result of the limitations around the allocation of cash receipts, we were unable to agree whether the allocation of cash receipts had been appropriately allocated to specific invoices and tenants.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition continued		We tested a sample of rental income for new leases in the period to the underlying lease agreement. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion section above.
Management override of controls	The Group made adjustments following the Investigation, the findings from our audit and information that has subsequently come to light for potential misstatements that the Directors are now aware of relating to investment properties, trade and other receivables, prepayments, revenue, administrative expenses and fair value movement on the revaluation of investment properties both in respect of the period ended 31 August 2021 and the year ended 31 August 2022. There is a risk that controls which allowed for these items to remain uncorrected in the Consolidated Financial Statements did not operate effectively, were insufficient or not in place and as a result could persist in similar or other areas. In addition, there is evidence from the Investigation, and our audit work, that certain controls in place appear to have been overridden during and subsequent to the year ended 31 August 2022. As a result of the above, there is a risk that controls may not have prevented or detected and corrected material misstatements on a timely basis more broadly in the Consolidated Financial Statements for the year ended 31 August 2022.	We involved our forensic specialists in our response to, and our audit of, the findings of the Investigation. We evaluated the terms of engagement, competence and independence of the Group's appointed forensic investigators. We critically assessed the detailed findings and using our forensic specialists considered if the approach taken was reasonable and challenged the Directors where we considered any additional procedures were necessary. We also considered the nature of the findings and undertook additional procedures and testing to satisfy ourselves where we considered it was necessary. Based on the prior period and current year misstatements identified now that further information has come to light, as well as the results of the Investigation, we reassessed our planned audit approach, revising our risk assessment in respect of certain areas of the Consolidated Financial Statements and consequently revising and extending our audit procedures in those areas where errors had been identified or where matters had been raised through the Investigation. We also revisited and lowered our financial statement and specific materiality used in testing as appropriate. In light of findings from the Investigation we considered the work performed in respect of IT systems and IT general controls and determined that IT general controls were effective solely for the purposes of our work on information provided by the entity from the IT systems. Other than reliance on IT general controls for the sole aspect of our audit as noted, we placed no reliance on any other internal controls for our audit and our final audit approach was entirely substantive in nature with the Directors' explanations being assessed against available evidence that was considered to be reliable. An extended analysis was also performed over journal entries with higher risk criteria, which we agreed back to supporting evidence where possible. We were however unable to corroborate all journals we selected for testing to supporting evidence due to the limitations in the scope of our work as outlined in the Basis of disclaimer of opinion section above.

Key audit matter		How the scope of our audit addressed the key audit matter
Management override of controls continued		Further, we extended the scope of our work throughout the audit, deepening our enquiries, and applying additional challenge, iteration and scepticism in all areas. We sought alternative representations and required additional procedures to be performed to support those representations where in our judgement, these were considered to be necessary. We considered the management fee structure for AEW and whether or not this provided an incentive to override controls and manipulate results. Key observations Our observations and findings are set out in the Basis for disclaimer of opinion section above.
Tenant receivables Refer to Note 11 to the Consolidated Financial Statements	The Group has experienced a significant downturn in rent collections since November 2022 and a number of tenants are in financial distress or have gone into administration. As such, there is a risk that tenant receivables as at 31 August 2022 may not be recoverable.	As detailed in the Basis for disclaimer of opinion section above, our work on this area was subject to multiple limitations. As such, we were not able to perform any procedures to test the recoverability of individual tenant receivables as we were unable to obtain sufficient appropriate audit evidence over the ageing profile of the tenant receivables as receipts from tenants did not include remittance statements, and as such the basis for allocation of cash to individual debtors was therefore unclear. We evaluated and assessed the Directors' IFRS 9 expected credit loss accounting policy choice adopted and application thereof. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion paragraph above.

Key audit matter		How the scope of our audit addressed the key audit matter
Related party transactions Refer to Note 19 to the Consolidated Financial Statements	The allegations made in the Viceroy Research Report in November 2022 included a claim that the Group may have paid inflated acquisition prices for its properties. Furthermore, the Investigation has identified potential related party transactions not previously disclosed to the Directors or to us as auditors. As a result of the change in Investment Adviser as detailed in Note 26 to the Consolidated Financial Statements, the Directors do not have access to all accounting records and information, including access to relevant individuals. As a result of the above, there is a risk that not all related party transactions have been identified, correctly accounted for and are not appropriately disclosed.	Without a waiver of privilege, we were provided with a copy of the report by Alvarez & Marsal Disputes and Investigations LLP dated 3 May 2023 which detailed the conclusions of the Investigation. We critically assessed the detailed findings and using our forensic specialists considered if the approach taken was reasonable and whether any additional procedures were considered necessary. We also considered the nature of the findings and undertook additional procedures and testing to satisfy ourselves where we considered it was necessary. We evaluated the controls in place surrounding related party transactions. We obtained a listing of any known related parties and any known transactions that have occurred in the year and agreed these to supporting documentation. We ensured that these are appropriately disclosed in the Annual Report. We considered whether the disclosures made in the Annual Report appropriately address the various allegations made against the Group regarding related party transactions. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion paragraph above.

Key audit matter		How the scope of our audit addressed the key audit matter
Annual Report preparation and disclosures	Given the pressures the Group is facing, there is a risk that the Directors could try to present a more positive picture of the Group in order to reduce shareholder tension. As such, there is a risk that the Annual Report (including the other information) would not be fair, balanced and understandable or that information may be incorrect or incorrectly presented.	We agreed the Financial Statements (including each of the primary statements and accompanying notes), presentation and disclosures to the underlying accounting records and checked the arithmetic accuracy of the Financial Statements. We performed audit procedures to ensure that the overall presentation of the Consolidated Financial Statements is in accordance with UK-adopted International Accounting Standards and applicable laws in respect of the Consolidated Financial Statements, and in accordance with UK GAAP in respect of the Company Financial Statements. We evaluated and assessed the disclosures made around the various assumptions, judgements and estimates made by the Directors, including but not limited to: • Rent commencement date • Lease term • Value of rent cover • Condition of properties • Quality of tenants and valuation of tenant receivables • Habitability of properties • The value and status of Seller's Works We considered whether an appropriate level of disclosure has been made addressing the various allegations against the Group and that the Annual Report is fair, balanced and understandable. In addition to the above, we challenged the Directors as to the appropriateness for inclusion of alternative performance measures in the Annual Report. Key Observations Our observations and findings are set out in the Basis for disclaimer of opinion section above, and our conclusion on whether the Directors' statement on fair, balanced and understandable is materially consistent with the Financial Statements or our knowledge obtained during the audit, notwithstanding our disclaimer of an opinion on the financial statements, is set out in the Other Information section below.

Other information

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

In line with our disclaimer of opinion on the financial statements, in the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, based on the work undertaken as part of our audit and having considered the ongoing FCA investigation and potential litigation against the Company and the Directors, we are unable to conclude on whether each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements.

Going concern and longer-term viability	• In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, other than the emphasis of matter – Financial Statements prepared on a basis other than going concern included above, we have nothing else that is material to add or draw attention to in relation to the statement on the Directors' assessment of the longer-term viability of the Company and whether the Directors considered it appropriate to adopt the basis of accounting other than going concern; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 63 to 64.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 66; • Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks set out on page 66; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 55; and • The section describing the work of the Audit Committee set out on pages 56 to 66.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report above, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception	Arising from the limitation of our work referred to above in the Basis for disclaimer of opinion section of our report above: • we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and • in our opinion, adequate accounting records have not been kept by the Company. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • returns adequate for our audit have not been received from branches not visited by us; or • the Company Financial Statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors

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

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or 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 responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (UK) (ISAs (UK)) and to issue an auditor's report.

However, because of the matters described in the Basis for disclaimer of opinion section of our report above, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were appointed by the Directors, following the recommendation of the Audit Committee, on 17 September 2020 to audit the financial statements for the period from incorporation on 17 September 2020 to 31 August 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the year ended 31 August 2022.

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

The non-audit services prohibited by that standard were not provided to the Group or the Company.

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:

Non-compliance with laws and regulations

Based on our understanding of the Group and the industry in which it operates; discussion with AEW, AHRA (during its tenure) and those charged with governance; obtaining and understanding the Group's policies and procedures regarding compliance with laws and regulations; and, we considered the significant laws and regulations to be the UK Companies Act 2006, the UK Listing Rules and the UK Real Estate Investment Trust ("REIT") regime.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the Financial Statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be UK VAT regulations.

Our procedures in respect of the above included:

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our sector experience through discussion with the Directors, AEW and AHRA (during its tenure) (as required by auditing standards).
- We had regard to laws and regulations in areas that directly affect the Financial Statements including financial reporting (including related company legislation) and taxation legislation. We considered that extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.
- We reviewed Board and Committee meeting minutes for any instances of non-compliance with laws and regulations.
- We reviewed a report from the Group's external tax adviser, detailing the actions that the Group has undertaken to ensure compliance. With the assistance of our internal tax experts, this paper was reviewed and the assumptions challenged.
- We reviewed legal expenditure accounts to understand the nature of expenditure incurred and obtained confirmations from the Group's solicitors as to any ongoing legal action.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Review of the allegations made in the Viceroy Research Report and any further allegations made in the press and the Directors' investigations thereinto;
- Enquiry with AHRA (during their tenure), AEW and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team, with assistance from our internal forensic specialists, as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets of the Group's external advisers and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be:

Area identified	Details and audit response
Significant transactions outside the normal course of business	We are aware of certain transactions that have occurred that are considered to be outside of the normal course of business. In particular, we are aware of rent-free periods and settlement agreements with vendors having been granted which we have been informed was without the knowledge of the Directors (as detailed in Note 26 to the Consolidated Financial Statements), as well as settlement of tenant receivables in non-traditional ways (as detailed in Notes 3, 5 and 11 to the Consolidated Financial Statements). Our procedures in respect of the above included: • We involved our forensic specialists in our response to, and our audit of, the findings of the Investigation; • We reviewed the contractual agreements for the rent-free periods and settlement agreements that were now known to the Directors and considered the accounting treatment thereof; • In respect of the settlement of tenant receivables in non-traditional ways: – We obtained an analysis from the Directors of all cash receipts made from the Group's inception date to October 2022 and considered whether the analysis was accurate and complete; – Furthermore, in respect of the amount of £2.1m withheld from the acquisition of properties which was then offset against debtors from three separate tenant, we obtained the completion statement for said transaction. We were unable to determine what the commercial rationale for this transaction was.
Provisions, commitments and contingencies	We are aware that the Group is currently threatened with legal action and has also stated its intention to pursue legal action against various parties it suspects of undertaking wrongdoing against the Group and Company. As such, there is a risk that unrecorded liabilities, provisions, contingent liabilities or other expenses are not appropriately identified and/or recorded at the balance sheet date. Our procedures in respect of the above included: • Obtaining third party confirmations from all solicitors engaged by the Group to confirm information of open cases of litigation and the potential financial implications thereof; • Obtaining the Directors' assessment of the status of all cases of legal action against them as well as planned legal action against other parties and considering whether any of the matters indicate potential provisions or contingent liabilities to be disclosed in the financial statements; • Reading minutes of Board and Committee meetings, risk registers, public announcements issued and solicitors' confirmations obtained in order to identify any non-compliance with laws and regulations. • Considered the adequacy of the disclosures in relation to contingent liabilities.
Going concern	Please refer to the Emphasis of Matter and the Basis for disclaimer of opinion sections above.

Investment Property Valuations; Property acquisition cost, Seller's Works and lease inducements; Revenue recognition; Management override of controls; Tenant receivables; Related party transactions; and Annual Report preparation and disclosures	Please refer to the relevant Key Audit Matters and the Basis for disclaimer of opinion section above.

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. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matters described in the Basis for disclaimer of opinion section of our report.

Use of our report

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

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London
United Kingdom
10 October 2024

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

Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021, as restated £'000
Income			
Rental income	5	38,249	10,211
Other income	5	–	750
Impairment of lease inducement	5	(28,348)	–
Impairment of rent straight-lining	5	(2,922)	–
Total income		**6,979**	**10,961**
Operating expenses			
General and administrative expenses	6	(9,863)	(3,255)
Provision for expected credit losses of trade receivables	11	(1,850)	–
Other expenses	12	(375)	(375)
Total expenses		**(12,088)**	**(3,630)**
Change in fair value of investment property	9	(452,873)	14,012
Write-off of Seller's Works not initiated or completed	11	(11,922)	(3,660)
Operating (loss)/profit for the year/period		**(469,904)**	**17,683**
Finance costs	7	(4,940)	(1,580)
(Loss)/profit before taxation		(474,844)	16,103
Taxation	8	–	–
(Loss)/income and total comprehensive (loss)/income for the year/period attributable to shareholders		**(474,844)**	**16,103**
(Loss)/earnings per Share – basic and diluted (pence per Share)*	22	**(79.52)**	**7.81**

*Based on the weighted average number of Shares in issue for the year ended 31 August 2022/period ended 31 August 2021.

All items in the above statement derive from continuing operations.

The notes on pages 101 to 133 form part of these financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Non-current assets			
Investment property	9	414,270	320,932
Total non-current assets		**414,270**	**320,932**
Current assets			
Trade and other receivables	11	16,139	3,130
Restricted cash	12	101,843	39,908
Cash and cash equivalents	12	74,514	6,218
Total current assets		**192,496**	**49,256**
Total assets		**606,766**	**370,188**
Non-current liabilities			
Bank borrowings	10	–	117,528
Total non-current liabilities		**–**	**117,528**
Current liabilities			
Bank borrowings	10	245,047	–
Trade and other payables	13	15,781	4,791
Total current liabilities		**260,828**	**4,791**
Total liabilities		**260,828**	**122,319**
Net assets		**345,938**	**247,869**
Capital and reserves			
Share capital	15	7,906	2,406
Share premium	16	595,733	–
Special distributable reserve	17	201,040	229,360
(Accumulated losses)/retained earnings		(458,741)	16,103
Total capital and reserves attributable to equity holders of the company		**345,938**	**247,869**
Net asset value per share (pps)	23	**43.76**	**103.03**

The notes on pages 101 to 133 form part of these financial statements.

The consolidated financial statements of Home REIT plc were approved and authorised for issue by the Board of Directors on 10 October 2024 and signed on its behalf by:

Michael O'Donnell
Chair

Company number 12822709

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 August 2022	Note	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Accumulated losses £'000	Total equity attributable to owners of the company £'000
Opening balance at 1 September 2021 (restated)		2,406	–	229,360	16,103	247,869
Loss and total comprehensive loss for the year attributable to shareholders		–	–	–	(474,844)	(474,844)
Transaction with owners:						
Dividend distribution	17	–	–	(28,320)	–	(28,320)
Share capital issued	15, 16	5,500	607,734	–	–	613,234
Share issue costs	16	–	(12,001)	–	–	(12,001)
Balance at 31 August 2022		**7,906**	**595,733**	**201,040**	**(458,741)**	**345,938**

For the period from 19 August 2020 to 31 August 2021, as restated	Note	Share capital £'000	Share premium £'000	Special distributable reserve £'000	Retained earnings £'000	Total equity attributable to owners of the company £'000
Income and total comprehensive income for the period attributable to shareholders		–	–	–	16,103	16,103
Transaction with owners:						
Dividend distribution	17	–	–	(3,993)	–	(3,993)
Share capital issued	15, 16	2,406	238,164	–	–	240,570
Share issue costs	16	–	(4,811)	–	–	(4,811)
Cancellation of share premium	16, 17	–	(233,353)	233,353	–	–
Balance at 31 August 2021		**2,406**	**–**	**229,360**	**16,103**	**247,869**

The notes on pages 101 to 133 form part of these financial statements.

Consolidated Statement of Cash Flows

	Note	For the year ended 31 August 2022 £'000	For the period from 19 August 2020 to 31 August 2021, as restated £'000
Cash flows from operating activities			
(Loss)/income for the year/period		(474,844)	16,103
Change in fair value of investment property	9	452,873	(14,012)
Finance costs	7	4,940	1,580
Effect of straight lining, lease inducements and impairments	5	29,258	(597)
Other income – escrow account	5	–	(750)
Other expenses – escrow account	12	375	375
Operating result before working capital changes		**12,602**	**2,699**
Decrease/(increase) in trade and other receivables	11	2,135	(344)
Increase in trade and other payables	13	10,925	4,704
Net cash flows generated from operating activities		**25,662**	**7,059**
Cash flows from investing activities			
Purchase of investment properties	9	(597,420)	(312,770)
Transfer to solicitors for future acquisitions	12	(18,260)	–
Net cash used in investing activities		**(615,680)**	**(312,770)**
Cash flows from financing activities			
Proceeds from issue of share capital and share premium	15	613,234	240,570
Share issue costs	16	(12,001)	(4,811)
Dividend distribution	17	(28,320)	(3,993)
Interest paid		(4,472)	(1,268)
Loan arrangement fee paid	20	(2,743)	(2,507)
Non-utilisation fee	7	(141)	(190)
Cash released from restricted cash account	20	92,757	84,128
Net cash generated from financing activities		**658,314**	**311,929**
Net increase in cash and cash equivalents		68,296	6,218
Cash and cash equivalents at beginning of the year/period		6,218	–
Cash and cash equivalents at end of the year/period	12	**74,514**	**6,218**

The notes on pages 101 to 133 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. General information

Home REIT plc (the "Company") is a closed-ended investment company, incorporated in England and Wales on 19 August 2020 and is registered as a public company limited by shares under the Companies Act 2006 with registered number 12822709. The Company is structured as an externally managed company with a board of non-executive directors (the "Directors" or the "Board"). The Company commenced operations on 12 October 2020 when its shares began trading on the London Stock Exchange.

Since the Company did not comply with the rules under DTR 4 to publish its 2022 annual financial report within four months of its year-end, trading in its shares was suspended on 3 January 2023. Additionally, the Company did not meet the requirement to file its half-yearly accounts within three months of its 2023 or 2024 period ends or its 2023 annual report and accounts by 31 December 2023. The suspension of the Company's shares cannot be lifted until its financial statement filings are brought up to date and the Company satisfies any other requirements of the Financial Conduct Authority ("FCA").

The Group (the "Group") consists of the Company and its subsidiaries which are listed in Note 25.

The principal activities of the Group and the nature of the Group's operations are set out in the Strategic Report on pages 7 to 43.

As discussed more fully in Note 19, on 15 March 2023, the Company and its former Investment Adviser, Alvarium Home REIT Advisors Limited ("AHRA") (now in liquidation), agreed by way of letter of agreement that the Company was entitled to terminate the Investment Advisory Agreement dated 22 September 2020 (the "IAA") (which governed the relationship between the Company and AHRA) on or before 30 June 2023. On 22 May 2023, the Company appointed AEW UK Investment Management LLP ("AEW") to provide property advisory services and announced its intent to engage AEW as Investment Manager and Alternative Investment Fund Manager ("AIFM") after receipt of FCA and shareholder approval for a revised investment policy. On 25 May 2023, the Company and Alvarium Fund Managers (UK) Limited ("Alvarium FM") agreed by way of variation agreement, as further varied on 18 July 2023, that the Investment Management Agreement dated 22 September 2020 (the "IMA") (which governed the relationship between the Company and Alvarium FM) would be varied to allow for termination immediately upon the Company giving notice in writing to Alvarium FM, provided such notice was given by not later than 31 August 2023, or upon either party giving not less than six months' notice in writing. On 30 June 2023, the IAA was terminated. On 21 August 2023, the Company terminated the IMA, the Company's shareholders approved the revised investment policy and the Company appointed AEW as Investment Manager and AIFM.

Going Concern

The Directors, at the time of approving the financial statements, are required to consider whether they have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to their going concern status.

As discussed in Note 26, shareholders approved the New Investment Policy on 16 September 2024 to enter into an orderly process to wind down the Company's operations (the "Managed Wind-Down"). The Group will not make any further real estate acquisitions and will not make any further investment. Capital expenditure will be permitted where it is deemed necessary or desirable to protect or enhance an asset's net realisable value or in order to comply with statutory obligations.

Cashflow projections have been prepared by AEW and agreed with the Board which consider:

1. The expected orderly disposal of properties through a combination of private treaty and auction sales. The Board expects that substantially all properties will be sold no later than 30 June 2025.
2. Revenue will continue to be collected on properties held by the Group.
3. Expenses are forecast to continue to be incurred at the current level for those services required for the continued operation of the Group. Notice periods have been considered where necessary and the majority of operations are expected to have concluded by 31 December 2025, when the annual report and accounts for the year ended 31 August 2025 are required to be filed.

As discussed in Note 10, the Group has been operating under periodic debt covenant waivers from and with the support of Scottish Widows Limited ("Scottish Widows" or the "Lender") with the latest waiver extending to 31 October 2024. Scottish Widows has stated that it expects that both facilities and their associated interest and Deferred Fees to be fully paid by 31 December 2024. On this basis, the Directors believe the Lender will continue to support the Group until the debt is fully repaid. However, there is no guarantee that the Lender will continue to extend its support beyond the date of the latest waiver letter.

Since beginning property sales in August 2023, the average discount from the JLL's August 2022 valuation is 11.4%, and 13.2% if August 2023 through November 2023 sales are excluded, as this evidence was used by JLL as part of the valuation process (1.9% and 3.0% average discount from 31 August 2023 valuation respectively). This discount occurs generally because at the auction date:

1. The Group did not receive from AHRA or non-performing tenants, and therefore cannot produce critical information that buyers require, such as underlying occupancy, tenant and income information and property compliance certificates, and
2. The Group's advisers have experienced issues with accessing properties because of tenant imposed limitations or due to poor management by the non-performing tenants, which negatively impacts marketing including producing full information particulars.

The Group has been selling properties that are in poor condition in order to minimise operating liabilities and risks. In order to maximise future sales proceeds, AEW is prioritising selling properties which the Group controls and holds complete information for marketing. However, considering the past shortfall to the valuations and as a contingency to ensure the Company can fully repay the Lender and provide adequate working capital to fund operations, the Group intends to sell a minimum of a further £25 million of property in the period to 31 December 2024. The remaining properties are expected to be sold in the period to 30 June 2025.

The Company has received a pre-action letter of claim which asserts that the Company provided information to investors which was false, untrue and/or misleading and as a result investors suffered losses. The Directors are not currently able to conclude whether or when a formal claim may be issued and if a claim is issued, what the quantum of such claim may be. Further, on 12 February 2024, the Company was notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023. The Company and Directors are cooperating with the FCA in its investigation. However, they are not able to assess or quantify what if any action may be taken. Until the Directors have better visibility into the ultimate exposure of these and any other contingent liabilities, they will not be able to satisfy themselves as to what, if any, reserves of excess cash will be required to settle these matters. When the Directors are able to estimate the range of exposure, the Company intends to return any estimated surplus capital to investors, whilst maintaining a prudent level of cash to wind down the Company and Group and considering any other eventualities.

As a result of (i) uncertainty over the timing of asset sales, (ii) risks around continued Lender support, (iii) the threatened litigation, (iv) the FCA investigation and (v) the Directors' expectation for an orderly wind-down of the Company's operations, the Directors consider it appropriate to adopt a basis of accounting other than as a going concern in preparing the financial statements. No material adjustments to accounting policies or the valuation basis have arisen as a result of ceasing to apply the going concern basis.

2. Accounting policies

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

Basis of Preparation

These Consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS") and with the requirements of Companies Act 2006. The Consolidated Financial Statements of the Group have been prepared on a historical cost basis, as modified for the Group's accounting for investment properties, which have been measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss.

Whilst the Directors are satisfied that the Group and the Company have adequate resources to continue in operation and to meet all liabilities as and when they fall due, the Directors consider it appropriate to adopt a basis other than going concern in preparing the financial statements because of their announced intention to enter into a Managed Wind-Down for the Group.

The preparation of financial statements in accordance with IFRS requires the Directors to make estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Differences between our estimates and the actual results will be recognised as they occur. Critical accounting estimates and key sources of estimation uncertainty in applying these accounting policies are disclosed in Note 3.

The Group has reviewed its past accounting policies and practices and, based on new information, the Board has amended several accounting policies and corrected certain amounts presented in the period ended 31 August 2021 Consolidated Financial Statements. To present comparable information using the same accounting policies, the Group has restated the Consolidated Financial Statements for 2021 in the 2022 Annual Report. The reasons why and impact of the changes are described more fully in Note 4.

The Group invests in residential property in the United Kingdom and receives revenue and pays expenses in Sterling. Therefore, the Directors have adopted Sterling as the presentation and functional currency in the Consolidated Financial Statements.

2. Accounting policies — continued

Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries. When the Company controls an investee, it is considered a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. The results of subsidiaries acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal.

There are no accounting policies of subsidiaries which differ from Group accounting policies. All intra-Group transactions, balances, income and expenses are eliminated in consolidation.

Acquisition of Investment Property

The Group has acquired properties directly and through the purchase of property-owning companies. On completion, the Group considers whether each acquisition represents a business or an asset. Under the requirements of IFRS 3, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly enhance the ability to create outputs. All purchase transactions to date have met the criteria of an asset acquisition. The Group recognises acquisitions on completion.

The cost of an asset acquisition includes direct transaction costs and is allocated between the identifiable assets and liabilities acquired based upon their relative fair values at the transaction date. Goodwill and deferred taxes are not recorded in the purchase price allocation.

Purchased or prospective property acquisitions were previously presented to the Board as being high quality properties suitable for homeless accommodation in line with the Investment Policy (as defined on page 34 of the Company's prospectus for the Initial Public Offering dated 22 September 2020). After detailed reviews of the Sale and Purchase Agreements (each a "SPA" and collectively, the "SPAs") by AEW, the Board now understands that most of the properties acquired were subject to an obligation for the vendor to complete certain works ("Seller's Works"), to ensure that the property was fit for purpose (which was undefined) within a specified period as defined in the SPAs. The vendor was typically given between 6 and 12 months to complete the Seller's Works (the "Seller's Works Longstop Date" or "SWLD"). Because the acquisition price was paid in full on completion, the Group retrospectively estimated the value of the Seller's Works based on available information and allocated that portion of the purchase price as a prepayment for future enhancements to be made. Where it is not possible to estimate the value of the Seller's Works the Group records the acquisition at cost. If the work was completed and a certificate of practical completion was provided by the SWLD, the prepayment was reclassified into Investment Property. If the work was not completed by the SWLD, the prepaid balance was written off to the income statement. The Group wrote-off £11,922,000 and £3,660,000 during the periods ending 31 August 2022 and 2021 respectively of prepaid Seller's Works when the vendor did not complete the Seller's Works by the SWLD. See Note 3 Significant Accounting Judgements and Estimates for a full discussion of the techniques used and assumptions made in determining the value of these Seller's Works.

In some cases, a retention was required to be held by the Group's solicitor at the acquisition date to be released upon receipt of a practical completion statement from a qualified surveyor or at fixed dates in the future. Where the only condition of release is the passage of time, then the amount is initially recorded as a payable, which is reversed when the cash retention is released to the vendor. For those retentions associated with the performance of Seller's Works, the independent party would generally release the retention cash upon receipt of the Practical Completion Statement or otherwise at the direction of the Investment Advisor. If the requirements were not met by the SWLD, the cash was released back to the Group.

As discussed more fully in the Acquisition of Investment Property section of Note 3, Significant Accounting Judgements and Estimates, a portion of the purchase price was allocated to either a lease incentive asset (where the lease inception date is the same as the lease commencement date) or a debtor (where the property was not considered habitable at acquisition and therefore the lease was not considered to have commenced.) The lease incentive is amortised as a reduction of gross rental income on a straight-line basis over the term of the lease. The debtor was reduced as cash was received from the tenant. The debtor and the lease incentive asset are assessed for impairment at each balance sheet date in line with the accounting for Financial Instruments and Impairment of Non-Financial Assets respectively, as outlined in this note.

Investment Properties

Investment properties are those that are held to earn income or for capital appreciation, or both. Investment properties are initially measured at cost (including transaction costs) and adjusted to their fair value, as determined by an accredited independent external valuer, at each subsequent balance sheet date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

2. Accounting policies — continued

Additions to properties include expenditures which result in identifiable future economic benefits. All other property expenditures are expensed as incurred.

Lease incentives and straight-line rent adjustments (as described below under Rental Income) are offset against investment property.

Investment property sales are recognised on the completion date.

Financial Instruments

The Group's accounting policy for each type of financial instrument is as follows:

a) Financial assets

The Group's financial assets comprise rent and other receivables, restricted cash and cash and cash equivalents. Financial assets are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. There are no financial assets held at fair value through profit or loss.

The Group utilises the simplified approach to measuring expected credit losses ("ECL"s) within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. The receivable is written off against the provision when it is deemed uncollectible. Any recoveries made are recognised in profit or loss when received.

b) Financial liabilities

Trade and other payables that are financial liabilities are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Bank borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Interest expense includes amortisation of initial transaction costs and an allocation of any premium payable on redemption.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less.

Restricted cash

Restricted cash represents:

- Cash withheld by the lender on drawdown borrowings. The Group only has access to this cash when acceptable security is provided and the Lender releases the restriction.
- Cash held by third parties, primarily the Group's solicitors, for a specific purpose such as future acquisitions and retentions.

Taxation

Current and deferred taxes are recognised on any profit or loss not exempt under UK REIT regulations. Current tax is expected tax payable on any non-REIT taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Dividends Payable to Shareholders

Final dividend distributions to the Group's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders. Interim dividends are recognised when paid.

Rental Income

The Group retains substantially all the risks and rewards of ownership of the properties and accordingly, all leases are classified as operating leases. Rental income arising from the operating leases is accounted for on a straight-line basis over the expected term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option. The Directors have concluded that due to the length of time to the option exercise date (19 years), none of the options to extend were reasonably certain to be exercised.

The Company's leases contain annual inflationary increases which are collared and capped at 1% and 4% respectively. Because of this change in annual rent, the straight-line adjustment is rebased each year and the rental income arising from such uplifts is recognised on a straight-line basis over the remaining lease term. Changes in the payment amount or timing, or the lease term made after the original lease agreement was signed are accounted as a lease modification. Lease modifications are accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease balance at that date.

The standard lease agreement includes requirements that the tenants establish:

- A sinking fund deposit account in the tenant's name to pay in on the rent payment date an amount of up to 7.5% of the rent due to fund a planned and costed programme of major repairs, maintenance and improvements, and
- A Void Surcharge Fund in the tenant's name to pay in on the rent payment date an amount of up to 7.5% of the rent due to be used in the event of a void in the property.

Because these amounts are established and controlled by and for the benefit of the tenant, we have not accounted for these amounts in these financial statements.

2. Accounting policies — continued

In certain cases, the Group acquired properties which were not considered habitable at the acquisition date and simultaneously signed an operating lease. IFRS 16, Leases, defines a lease as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.' If a property is deemed unhabitable (as described more fully in Note 3), the Directors have concluded that the lease has not conveyed the 'right to control the use of an identified asset' and therefore the Group does not recognise the associated rental revenue until property improvement to a lettable standard is complete. Any cash received from the tenant while the property is judged to be unhabitable is applied as a reduction in the cost of property or the debtor, as appropriate and as described in Acquisition of Investment Property above.

Impairment of Non-Financial Assets

Non-financial assets including lease incentives and straight-line rent receivable assets are assessed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the asset is impaired. As more fully described in Note 5, Total Income, the Group has received payments to settle debtors in several non-traditional ways as well as receiving cash from tenants which don't exactly tie to invoiced amounts. Accordingly, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows, which is on a tenant basis defined as the cash-generating units ("CGUs"). The Group assesses impairment of individual lease related assets, such as lease incentives and straight-line rent receivables, at the tenant levels. Impairment charges of £31,270,000 (2021: £Nil) were recognised during 2022 as tenants were experiencing financial stress from August 2022.

Finance Costs

Costs associated with new financings are capitalised and amortised to finance costs over the fixed term of the loans using the effective interest method.

Changes to Accounting Standards and Interpretations

At the date of authorisation of the financial statements, there were a number of standards and interpretations which were in issue but not yet effective. The Directors have assessed the impact of these amendments and has determined that the application of these amendments and interpretations in current and future periods will not have a significant impact on its financial statements.

Description	Effective Date
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Annual Improvements to IFRSs (2018-2020 Cycle) – IFRS 1, IFRS 9, Illustrative examples accompanying IFRS 16, IAS 41	1 January 2022
Amendments to IAS 1: Disclosure of accounting policies and definition of estimates	1 January 2023
Amendments to IAS 1 on the classification of liabilities as non-current, IFRS 16 on considering profit in sale leaseback transactions and IAS 7 on supplier finance	1 January 2024
Amendments to IFRS 17 Insurance Contracts and IAS 12 Income Taxes	1 January 2024
Amendment to IAS 21	1 January 2025
Amendment to IFRS 7	1 January 2026
Amendment to IFRS 18 presentation of information in the primary financial statements	1 January 2027

As discussed more fully in Note 4, Correction of Prior Period Errors, in preparing the Consolidated Financial Statements for 2022, the Board has adjusted the Group's accounting treatment in several areas. The Group has consistently applied the revised accounting treatment in these areas in the current year and restated the 2021 comparatives accordingly. In addition, there are several new standards and interpretations which were effective for the first time for periods beginning on or after 1 September 2021. The new standards impacting the Group are:

- Interest Rate Benchmark Reform – LIBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16). The amendments provide relief to the Group in respect of certain loans whose contractual terms are affected by interest benchmark reform (effective from 1 January 2021). Applying the practical expedient introduced by the amendments, when the benchmarks are replaced the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of the loans' benchmark interest rate will not result in an immediate gain or loss recorded in profit or loss.

2. Accounting policies — continued

- Amendments to IFRS 16 Leases: Covid-19-Related Rent concessions beyond 30 June 2021. The amendment extends the practical expedient to reductions in lease payments that were originally due on or before 30 June 2022. The amendment is to be applied mandatorily by those entities to apply the previous amendment Covid-19-Related Rent Concessions. The Group has not granted rent related concessions in relation to Covid-19.

These standards have been assessed to have no significant impact to the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies.

3. Significant Accounting Judgements and Estimates

The preparation of financial statements in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The comparative amounts for the period ended 31 August 2021 have been restated because those accounts contained errors as more fully described in Note 4.

Because AHRA is no longer involved with the Group, the Directors have had to reconsider judgements based on factors which were present at each balance sheet date and, as far as possible, remove hindsight from its decisions.

In the course of preparing the Consolidated Financial Statements, the Directors have had to make assumptions and judgements especially in the areas of rental revenue recognition, valuation of investment property, and purchase price allocation related to the acquisition of investment property. The judgements, estimates and associated assumptions that have had a material impact in the presentation of assets and liabilities in these accounts are outlined below:

Acquisition of Investment Property

As discussed above under Accounting Policies, the Directors have reconsidered the purchase price allocation for every acquisition since inception and corrected previous errors. Because documentation was not always maintained or otherwise made available by AHRA, the Directors made a number of assumptions and estimates in order to make certain allocations which can be summarised as follows:

Seller's Works

Purchased or prospective property acquisitions were presented to the Board as being high quality properties suitable for homeless accommodation in line with the Investment Policy at that time. After detailed reviews of the SPAs by AEW, the Board now understands that most of the properties acquired were subject to an obligation for the vendor to complete Seller's Works, to ensure that the property was fit for purpose (which was undefined) within a specified period as defined in the SPAs. The vendor was typically given between 6 and 12 months to complete the works, the SWLD. The Group paid the full purchase price except as discussed below under Retentions on completion. Under most of the SPA contracts the Group had limited recourse against the vendor if the vendor did not complete the Seller's Works. Accordingly, the portion of the price paid at the acquisition date related to the Seller's Works should have been presented as a prepayment until the works were complete and then reclassified into Investment Property. If the Seller's Works were not completed by the Seller's Works Longstop Date, the prepayment should have been written off to the income statement. The Directors have corrected these errors in the previously published 2021 financial statements in the current year as detailed in Note 4.

AHRA was required to obtain a building condition report around the acquisition date. However, our use of these reports for the preparation of these accounts was limited because of the following:

1. The reports were prepared by the Seller's advisers and the Group did not obtain a reliance letter which would allow the Directors to rely on the work performed or conclusions reached,
2. The scope of the report and/or the expected standard of property was not clear or was undefined, or
3. The report did not always contain a detailed cost estimate of works required.

The Directors therefore used these reports as follows:

1. Where these reports provide an estimate of the improvement works required to bring the property into an acceptable condition (even if the Group does not have reliance), the Directors have used the budget associated with the works proposed for the first five years of ownership as our estimate of Seller's Works. The Directors used the first five years because those works presented after five years were generally not of a nature which would impact the current use of the property.
2. For properties where building inspections contained information about the condition of the property, but no cost estimate of works required to bring the property into an acceptable condition (even if

3. Significant Accounting Judgements and Estimates — continued

the Group do not have reliance), the Directors have estimated the value of those Seller's Works. Our estimate required an understanding of:

1. the type of property acquired (from single-family homes, Houses in Multiple Occupation ("HMO") or residential investments);
2. the condition of the property from building surveys completed at the time of the acquisition (from conversion, boarded up, very poor, poor, fair, good and very good). The Directors classified any property deemed in very poor condition, or requiring conversion or boarded-up as unhabitable; and
3. The number of bedrooms in the property.

Using this information, the Directors estimated the value of the Seller's Works using the following formula:

1. If the building condition was very good or good, then the Seller's Works value was £0. For single-family homes, the Directors computed an 'expected spend' as the greater of £25,000 or 10% of the property's Market Value - with a special assumption of Vacant Possession ("MV-VP"), which was increased by a factor of 50% if the property is located in the South ("South" has been defined generally as the area south of the M4). If the property condition was assessed as fair, then the Directors used 50% of the expected spend; if assessed as poor, then the Directors used 100% of expected spend and if very poor then the Directors used 125% of the expected spend.
2. For HMOs and residential investments, the Directors used the following costings to estimate the Seller's Works:

Type	Condition		North	South
HMO	Fair	Each bedroom	£5,000	£5,000
HMO	Poor	Each bedroom	£7,500	£7,500
Residential Investment	Fair	1st bedroom	£5,000	£7,500
Residential Investment	Fair	Additional bedroom	£2,500	£2,500
Residential Investment	Poor	1st bedroom	£7,500	£10,000
Residential Investment	Poor	Additional bedroom	£5,000	£5,000

If a building survey report could not be found or when an internal inspection was not able to be completed, then the Directors could not make a determination as to whether Seller's Works were required and accordingly recorded the acquisition at cost and revalued the property to market value at the next balance sheet date through unrealised gain or loss (2022 – 542 properties and 2021 – 424 properties).

Lease Inducement Payments

The Group did not provide lease inducement consideration to tenants directly. However, AHRA expected the vendors to provide, and they generally did provide, the tenant with cash in the amount of the first year's rent, which was funded through original acquisition payment made by the Group to the vendor as part of the acquisition price. Based on the following factors, the Directors concluded that the substance of the transactions is such that the lease and the SPA should be accounted for as a single contract as set forth in IFRS 16, paragraph B2:

- Every property was acquired with a tenant already identified and ready to sign a standard Home REIT lease agreement (no property was acquired subject to a pre-existing lease),
- AHRA had publicly stated that they expected each property vendor to provide cash representing at least one year of worth of rent in advance to the tenant at the acquisition date,
- The vendor and tenant had significant interactions, and in some cases previous or existing connections, both before and subsequent to the acquisition, and
- The SPA and lease contracts were signed on the same day

3. Significant Accounting Judgements and Estimates — continued

If the contracts were to be considered a single contract, the payment to the vendor which funded the tenant would be considered an inducement to enter into the lease for a habitable property or a debtor (lease inducement receivable for unhabitable properties).

Retentions

In certain circumstances, a retention for a portion of the Seller's Works was deducted from the cash paid to the vendor as protection against the vendor not completing the Seller's Works. The Group had not previously accounted for these amounts (see impact of this in Note 4 'Correction of Prior Period Errors'). The Directors have corrected the previous accounting by establishing the retention as a restricted cash asset with an equal and offsetting other payable which is reclassified into Investment Property when approved by the lessee or reversed upon receipt of cash if the necessary condition for release was not achieved prior to the Seller's Works Longstop Date. The release of the retention did not always follow the receipt of a certificate of practical completion. The Directors therefore have recorded the release of retentions on a cash basis which does not always fully align with the accounting for Seller's Works as above.

Valuation of Investment Property

As described more fully in Note 9, Investment Property, a number of significant judgments were made by the independent valuer in determining fair value of investment properties, including:

- the credit quality of the tenant and the condition of the property were considered in determining the best valuation technique to value each property,
- the Group undertook an exercise to inspect each property to determine its current condition which occurred from August 2023 to May 2024. The condition of the property as determined at the inspection date is assumed to be the condition of the property for valuation purposes at 31 August 2022,
- For properties valued on investment basis, rents were capped at five years and overall value was capped at 150% of vacant possession value (except for certain subtenants where the full sublease was considered).

Rental Revenue Recognition

If a property was deemed habitable at acquisition, then rents are recognised on a straight-line basis over the life of the lease. For those properties that the Group purchased that were in very poor condition or boarded up, or required conversion, the Directors have now concluded, based upon review by AEW of the original surveyor reports as crosschecked against recent inspection reports, that these properties were unhabitable and therefore did not meet the criteria under IFRS 16 Leases for the lease to reach its Commencement Date. Accordingly, the Directors' concluded that revenue recognition would only begin when the associated properties were put, at a minimum, into a habitable condition. The Directors have corrected the lease revenue and instead recorded any cash received from a tenant (or a party on its behalf) associated with this lease to reduce the debtor set up as discussed above under Lease Inducement Payments. If a property was considered habitable at the acquisition date, then the Commencement date was the same as the lease inception date.

During the period from September 2021 to October 2022, without the knowledge or authority of the Directors, debtors were settled in several non-traditional ways, including:

- As noted above, at acquisition vendors usually had an obligation to improve a property to a good lettable standard and in some cases, vendors paid tenants to transfer the obligation to the tenants. The settlement agreements to transition capex obligations on properties from vendors to tenants resulted in cash of £1,748,000 being transferred to the Group to be used to settle debtors instead of being paid directly to the tenants. Cash in excess of outstanding debtors at the time was received in the amount of £282,000 and the excess funds were reimbursed to the associated two tenants;
- Vendors made payments on behalf of 14 tenants in the amount of £7,166,000;
- One tenant settled amounts on behalf of two other tenants in the amount of £1,614,000; and
- The Group withheld £2,142,000 from the acquisition of properties with an agreed price of £17,040,000, such that funds transferred at acquisition were £14,898,000. The funds withheld were offset against debtors from three tenants.

These transactions were used to settle specific debtors from specific tenants as directed by AHRA. The Directors considered whether the more appropriate accounting would be to reduce the carrying value of the property for the cash payment or as a creditor. The debtor balances would then be written off as uncollectible under IFRS 9. However, there was correspondence between AHRA and vendors which provided evidence of the intent of the cash transfers. Further, there were no signed notes or other agreements executed which would signify any lending arrangements. Accordingly, the Directors concluded that applying the cash received against outstanding debtors was in-line with the intent of the transaction.

3. Significant Accounting Judgements and Estimates — continued

Any outstanding debtors at 31 August 2022 after making the above cash applications were provided for in full.

The Group assesses impairment of individual lease related assets, such as lease incentives and straight-line rent receivables, at the tenant levels. Impairment charges of £31,270,000 (2021: £Nil) were recognised during 2022 as tenants were experiencing financial stress from August 2022.

4. Correction of Prior Period Errors

As described more fully in Note 3 Significant Accounting Judgements and Estimates, the Directors have reconsidered the purchase price allocation for every acquisition since inception which resulted in the following corrections of information presented in the 2021 Annual Report and Accounts. IFRS requires an additional comparative Statement of Financial Position be presented at the beginning of the year being restated in order to demonstrate the impact to the opening position. However, since the Company commenced operations on 12 October 2020, there is nothing to present.

Property Condition – Unhabitable Properties and Seller's Works

Many of the properties the Group has purchased were in poor condition and the vendor had agreed to improve to an acceptable standard within a specified period as defined in the SPA, including 172 which were unhabitable (2022 – 120 and 2021 – 52). With some exceptions where the Group kept a retention, at the acquisition date, the Company paid the full purchase price with the expectation that the vendor would complete the required works from the funds paid at acquisition. Even where the Group kept a retention, it had inadequate security and limited recourse against the vendor if the vendor did not complete the Seller's Works, and accordingly, most of the vendors did not complete the works prior to the agreed SWLD. Amounts paid in respect of Seller's Works were previously included in the cost of properties acquired. The correction to the previous accounting policy has resulted in the reallocation of the estimated value of the Seller's Works from property cost to prepaid Seller's Works, if the property was considered habitable. Where works were subsequently completed on a property, the related prepaid Seller's Works balance was reclassified into Investment Property. Where works had not been initiated before the SWLD, the related prepaid Seller's Works balance was written off to the income statement. If the property was boarded up or otherwise deemed unhabitable, at the time of acquisition, the Directors could not make a reasonable retrospective estimate of the works required and instead recorded the property at cost and revalued the property in line with the external valuation at the following balance sheet date.

Retentions

As noted above, in certain circumstances, a retention was deducted from the cash paid to the vendor as protection against the vendor not completing the Seller's Works. The Group had not previously accounted for these amounts. The amounts were generally held by the buyer's solicitor to be released upon receipt of approval as dictated under the SPA, although in some cases AHRA, without the knowledge or authority of the Directors, released the retentions without receiving a certificate of practical completion as required under most SPAs. If the works were not completed, the balance was released back to the Group and the creditor reversed accordingly. The Directors have corrected the previous accounting by establishing the retention as a restricted cash balance with an offsetting short-term creditor.

Lease Inducement Payments

As discussed above, the Group did not provide lease inducement consideration to tenants directly. However, the Investment Adviser expected the vendors to provide, and they generally did provide, the tenant with cash in the amount of the first year's rent, which was funded through the original acquisition payment made by the Group to the vendor as part of the acquisition price. The Directors therefore concluded that the substance of the transactions was such that the lease and the SPA should have been accounted for as a single contract as set forth in IFRS 16, paragraph B2.

Accordingly, the Directors allocated an amount equal to twelve months of rent payable to establish either a lease inducement asset or a debtor (for habitable and unhabitable properties respectively) representing the first year of rent in the revised purchase price allocation.

Escrow Account

On 18 June 2021, the Company entered into an escrow agreement with Noble Tree Foundation Limited, a tenant, and Intertrust Trustee 3 (Jersey) Limited whereby an affiliate of Karla Asset Management Limited provided £750,000 to an escrow account in the name of the Company with such funds to be used as approved by two AHRA fund managers, acting without the authority of the Directors. The fund could be accessed by the two tenants, Noble Tree Foundation Limited and Big Help Project, and as approved by the two fund Managers. As at 31 August 2021, £375,000 had been distributed with the rest distributed in the 2022 financial year. The financial statements for 2021 did not reflect these transactions and have been restated to account for the revenue and expenses associated with this arrangement.

4. Correction of Prior Period Errors — continued

Financing Costs

Financing costs were incorrectly presented net in the 2021 Consolidated Statement of Cash Flows and have been split into their components in order to be fully consistent with the 2022 presentation.

Impact on Statement of Comprehensive Income:

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Prepaid Seller's Works Adjustment £'000	Lease Inducement Adjustment £'000	Retentions Adjustment £'000	Escrow Account Adjustment £'000	31 August 2021, as Restated £'000
Income							
Amounts invoiced in accordance with lease agreements	10,677	–	–	–	–	–	10,677
Rent not recognised because properties were unhabitable	–	(1,063)	–	–	–	–	(1,063)
Rent straight lining and lease inducement amortisation	1,078	–	–	(481)	–	–	597
Rental income	11,755	(1,063)	–	(481)	–	–	10,211
Other income	–	–	–	–	–	750	750
Total income	**11,755**	**(1,063)**	**–**	**(481)**	**–**	**750**	**10,961**
Expenses							
General and administrative expenses	(3,255)	–	–	–	–	–	(3,255)
Other expenses	–	–	–	–	–	(375)	(375)
Total expenses	**(3,255)**	**–**	**–**	**–**	**–**	**(375)**	**(3,630)**
Change in fair value of investment property	14,012	–	–	–	–	–	14,012
Write-off of Seller's Works not initiated or completed	–	–	(3,660)	–	–	–	(3,660)
Operating profit for period	**22,512**	**(1,063)**	**(3,660)**	**(481)**	**–**	**375**	**17,683**
Finance costs	(1,580)	–	–	–	–	–	(1,580)
Profit before taxation	**20,932**	**(1,063)**	**(3,660)**	**(481)**	**–**	**375**	**16,103**
Taxation	–	–	–	–	–	–	–
Total comprehensive income for the period attributable to shareholders	**20,932**	**(1,063)**	**(3,660)**	**(481)**	**–**	**375**	**16,103**
Earnings per share – basic and diluted (pence per share)	**10.15**	**(0.52)**	**(1.77)**	**(0.23)**	**–**	**0.18**	**7.81**

4. Correction of Prior Period Errors — continued

Impact on Statement of Financial Position:

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Prepaid Seller's Works Adjustment £'000	Lease Inducement Adjustment £'000	Retentions Adjustment £'000	Escrow Account Adjustment £'000	Tenant Receivables Adjustment £'000	31 August 2021, as Restated £'000
Non-current assets								
Investment property:								
Property acquisitions in period	312,770	(16,693)	–	–	–	–	–	296,077
Lease inducement on unhabitable properties recognised as receivable	–	(1,604)	–	–	–	–	–	(1,604)
Rent straight lining and lease inducement	1,078	16,693	–	(481)	–	–	–	17,290
Prepaid Seller's Works recognised as receivable	–	–	(4,843)	–	–	–	–	(4,843)
Increase in fair value of investment property	14,012	–	–	–	–	–	–	14,012
Investment property	**327,860**	**(1,604)**	**(4,843)**	**(481)**	**–**	**–**	**–**	**320,932**
Total non-current assets	**327,860**	**(1,604)**	**(4,843)**	**(481)**	**–**	**–**	**–**	**320,932**
Current assets								
Trade and other receivables:								
Tenant receivables	1,191	–	–	–	–	–	–	1,191
Cash received for unhabitable properties	–	–	–	–	–	–	942	942
Total tenant receivables in accordance with lease agreements	1,191	–	–	–	–	–	942	2,133
Rent not recognised because properties were unhabitable	–	–	–	–	–	–	(1,063)	(1,063)
Tenant receivables, net	1,191	–	–	–	–	–	(121)	1,070
Prepaid expenses	215	–	–	–	–	–	–	215
Tenant receivables and other financial assets	**1,406**	**–**	**–**	**–**	**–**	**–**	**(121)**	**1,285**
Prepaid Seller's Works recognised as receivable	–	–	4,843	–	–	–	–	4,843
Write-off of Seller's Works not initiated or completed	–	–	(3,660)	–	–	–	–	(3,660)
Prepaid Seller's Works	**–**	**–**	**1,183**	**–**	**–**	**–**	**–**	**1,183**
Lease inducement on unhabitable properties recognised as receivable	–	1,604	–	–	–	–	–	1,604
Cash received for unhabitable properties	–	(942)	–	–	–	–	–	(942)
Lease inducement receivable for unhabitable properties	**–**	**662**	**–**	**–**	**–**	**–**	**–**	**662**
Trade and other receivables	**1,406**	**662**	**1,183**	**–**	**–**	**–**	**(121)**	**3,130**

4. Correction of Prior Period Errors — continued

Impact on Statement of Financial Position — continued:

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Prepaid Seller's Works Adjustment £'000	Lease Inducement Adjustment £'000	Retentions Adjustment £'000	Escrow Account Adjustment £'000	Tenant Receivables Adjustment £'000	31 August 2021, as Restated £'000
Restricted cash	35,872	–	–	–	3,661	375	–	39,908
Cash and cash equivalents	6,218	–	–	–	–	–	–	6,218
Total current assets	**43,496**	**662**	**1,183**	**–**	**3,661**	**375**	**(121)**	**49,256**
Total assets	**371,356**	**(942)**	**(3,660)**	**(481)**	**3,661**	**375**	**(121)**	**370,188**
Non-current liabilities								
Bank borrowings	117,528	–	–	–	–	–	–	117,528
Total non-current liabilities	**117,528**	**–**	**–**	**–**	**–**	**–**	**–**	**117,528**
Current liabilities								
Trade and other payables	1,130	–	–	–	3,661	–	–	4,791
Total current liabilities	**1,130**	**–**	**–**	**–**	**3,661**	**–**	**–**	**4,791**
Total liabilities	**118,658**	**–**	**–**	**–**	**3,661**	**–**	**–**	**122,319**
Net assets	**252,698**	**(942)**	**(3,660)**	**(481)**	**–**	**375**	**(121)**	**247,869**
Capital and reserves:								
Share capital	2,406	–	–	–	–	–	–	2,406
Special distribution reserve	229,360	–	–	–	–	–	–	229,360
Retained earnings	20,932	(942)	(3,660)	(481)	–	375	(121)	16,103
Capital and reserves attributable to equity holders of the Company	**252,698**	**(942)**	**(3,660)**	**(481)**	**–**	**375**	**(121)**	**247,869**

4. Correction of Prior Period Errors — continued

Impact on Consolidated Statement of Cash Flows

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Seller's Works Adjustment £'000	Lease Inducement Amortisation £'000	Retentions Adjustment £'000	Escrow Account Adjustment £'000	Finance Costs Adjustment £'000	Rent Straight Lining Adjustment £'000	31 August 2021, as Restated £'000
Cash flows from operating activities									
(Loss)/income for the year/period	20,932	(1,063)	(3,660)	(481)	–	375	–	–	16,103
Change in fair value of investment property	(14,012)	–	–	–	–	–	–	–	(14,012)
Finance costs	–	–	–	–	–	–	1,580	–	1,580
Effect of straight lining, lease inducements and impairments	–	–	–	481	–	–	–	(1,078)	(597)
Other income – escrow account	–	–	–	–	–	(750)	–	–	(750)
Other expenses – escrow account	–	–	–	–	–	375	–	–	375
Operating result before working capital changes	**6,920**	**(1,063)**	**(3,660)**	**–**	**–**	**–**	**1,580**	**(1,078)**	**2,699**
Increase in trade and other receivables	(1,406)	1,063	3,660	–	(3,661)	–	–	–	(344)
Increase in trade and other payables	1,130	–	–	–	3,661	–	(87)	–	4,704
Net cash flows from operating activities	**6,644**	**–**	**–**	**–**	**–**	**–**	**1,493**	**(1,078)**	**7,059**
Cash flows from investing activities									
Purchase of investment properties	(313,848)	–	–	–	–	–	–	1,078	(312,770)
Net cash used in investing activities	**(313,848)**	**–**	**–**	**–**	**–**	**–**	**–**	**1,078**	**(312,770)**

4. Correction of Prior Period Errors — continued

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Seller's Works Adjustment £'000	Lease Inducement Amortisation £'000	Retentions Adjustment £'000	Escrow Account Adjustment £'000	Finance Costs Adjustment £'000	Rent Straight Lining Adjustment £'000	31 August 2021, as Restated £'000
Cash flows from financing activities									
Proceeds from issue of share capital and share premium	240,570	–	–	–	–	–	–	–	240,570
Share issue costs	(4,811)	–	–	–	–	–	–	–	(4,811)
Dividend distribution	(3,993)	–	–	–	–	–	–	–	(3,993)
Interest paid	–	–	–	–	–	–	(1,268)	–	(1,268)
Loan arrangement fee paid	(2,472)	–	–	–	–	–	(35)	–	(2,507)
Non-utilisation fee	–	–	–	–	–	–	(190)	–	(190)
Cash released from restricted cash account	84,128	–	–	–	–	–	–	–	84,128
Net cash generated from financing activities	**313,422**	**–**	**–**	**–**	**–**	**–**	**(1,493)**	**–**	**311,929**
Net increase in cash and cash equivalents	**6,218**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,218**
Cash and cash equivalents at beginning of the period	–	–	–	–	–	–	–	–	–
Cash and cash equivalents at end of the period	**6,218**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,218**

5. Income

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021, as restated £'000
Amounts invoiced in accordance with lease agreements	38,336	10,677
Effect of straight-lining rent	3,753	1,078
Rent not recognised because properties were unhabitable	(2,099)	(1,063)
Lease inducement amortisation	(1,741)	(481)
Rental income	38,249	10,211
Other income	–	750
Impairment of lease inducement	(28,348)	–
Impairment of rent straight-lining	(2,922)	–
Total income	**6,979**	**10,961**

Rental income includes amounts receivable in respect of tenant leases for those properties deemed habitable (see Note 3) and is measured at the fair value of the consideration received or receivable. All properties subject to leases are based in the UK.

As discussed in Note 3, in certain cases, the Group acquired properties which were not considered habitable at the acquisition date but which were subject to an operating lease. If a property is deemed unhabitable, the Group does not recognise any associated rental revenue until required improvements are complete. Any cash received from the tenant while the property is judged to be unhabitable is applied as a reduction in the debtor established at acquisition (in lieu of a lease incentive) or the property carrying value, as appropriate and as described in Note 3, Acquisition of Investment Property. During the year and period ended 31 August 2022 and 2021, the Group purchased 120 and 52 properties, respectively, which have retrospectively been deemed unhabitable at acquisition. Payments received of £2,169,000 and £942,000 in 2022 and 2021 respectively associated with the in-place leases for unhabitable properties have been applied against the debtor established at acquisition in the year/period ended 31 August 2022 and 2021. During the year/period ended 31 August 2022 and 2021, no properties were improved to a state which the Group considered habitable.

During the period from September 2021 to October 2022, without the knowledge and authority of the Directors, debtors were settled in several non-traditional ways, including:

- As noted above, at acquisition vendors usually had an obligation to improve a property to a good lettable standard and in some cases, vendors paid tenants to transfer the obligation to the tenants. The settlement agreements to transition capex obligations on properties from vendors to tenants resulted in cash of £1,748,000 being transferred to the Group to be used to settle debtors instead of being paid directly to the tenants. Cash in excess of outstanding debtors at the time was received in the amount of £282,000 and the excess funds were reimbursed to the associated two tenants;
- Vendors made payments on behalf of 14 tenants in the amount of £7,166,000;
- One tenant settled amounts on behalf of two other tenants in the amount of £1,614,000; and
- The Group withheld £2,142,000 from the acquisition of properties with an agreed price of £17,040,000, such that funds transferred at acquisition were £14,898,000. The funds withheld were offset against debtors from three tenants.

These transactions were used to settle specific debtors from specific tenants as directed by AHRA. The Directors considered whether the more appropriate accounting would be to reduce the carrying value of the property for the cash payment or as a creditor. The debtor balances would then be written off as uncollectible under IFRS 9. However, there was correspondence between AHRA and vendors which provided evidence of the intent of the cash transfers. Further, there were no signed notes or other agreements executed which would signify any lending arrangements. Accordingly, the Directors concluded that applying the cash received against outstanding debtors was in-line with the intent of the transaction.

Any outstanding debtors at 31 August 2022 after making the above cash applications were provided for in full.

The Group assesses impairment of individual lease related assets, such as lease incentives and straight-line rent receivables, at the tenant levels. Impairment charges of £31,270,000 (2021: £nil) were recognised during 2022 as tenants were experiencing financial stress from August 2022.

On 18 June 2021, the Company entered into an escrow agreement with Noble Tree Foundation Limited, a tenant, and Intertrust Trustee 3 (Jersey) Limited whereby an affiliate of Karla Asset Management Limited provided £750,000 to an escrow account in the name of the Company with such funds to be used as approved by two AHRA fund managers, acting without the authority of the Directors. The fund could be accessed by the two tenants, Noble Tree Foundation Limited and Big Help Project, as approved by the

5. Income — continued

two fund managers. As at 31 August 2021, £375,000 had been distributed with the rest distributed in the financial year 2022.

The future minimum rents receivable under non-cancellable operating leases are (excluding rents associated with unhabitable properties) are:

Future minimum rents receivable in the period:	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Year 1	49,824	16,830
Year 2	50,323	16,999
Year 3	50,826	17,169
Year 4	51,334	17,340
Year 5	51,848	17,514
> 5 years	806,460	276,378
Total	**1,060,615**	**362,230**

AEW has assessed the condition of each property and the credit strength of each tenant and classified the annual rent receivable under non-cancellable operating leases in place at 31 August 2022 as detailed below:

	As at 31 August 2022 £'000
Performing tenants in habitable properties	17,542
Performing tenants in unhabitable properties	1,814
Non-performing tenants in habitable properties	31,789
Non-performing tenants in unhabitable properties	2,770
Rent roll at 31 August 2022	**53,915**

6. General and administrative expenses

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021, as restated £'000
Investment advisory fees	5,322	1,828
Fees paid to the Group's Independent Auditor	2,280	268
Board and Directors' fee	176	150
Other administrative expenses	2,085	1,009
Total	**9,863**	**3,255**

Fees paid to the Group's Independent Auditor, BDO LLP, include the following (all fees are inclusive of VAT):

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021, as restated £'000
Fees payable to the company's auditor for the audit of the company's annual accounts*	2,164	182
Fees payable to the company's auditor:		
Audit of the accounts of subsidiaries	72	12
Audit-related assurance services:		
• Audit of the Group's initial accounts	–	43
• Interim review	44	31
Included in general and adminstrative expenses	**2,280**	268
Reporting accountant services, recognised directly in equity as share issue costs	–	92
Audit services to support equity raising activities which were classified as a prepaid in FY21 and reclassified directly into equity in FY22	–	129

*The FY22 audit fee is £1,906,000 in excess of the original audit fee agreed as a result of additional audit procedures.

7. Finance costs

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021 £'000
Loan interest	4,481	1,274
Non-utilisation fees	141	190
Amortisation of loan arrangement fees	318	116
Total finance costs	**4,940**	**1,580**

8. Taxation

The Group is a real estate investment trust ("REIT") and as a result the profit and gains arising from the Group's property rental business are exempt from UK corporation tax provided it meets certain conditions as set out in the UK REIT regulations. Profits arising from any residual activities (e.g. trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 19% for the year.

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021 £'000
Current tax	–	–
Origination and reversal of temporary differences	–	–
Total deferred tax	–	–
Tax charge	**–**	**–**

The Company made distributions for the 2021 and 2022 financial years as documented in its PID tracker as submitted to HM Revenue & Customs ("HMRC") based on estimates of its Property Income, which is required to maintain REIT status. As discussed in Note 4, Correction of Prior Period Errors, comprehensive income for 2021 has been revised lower and the result for 2022 is a comprehensive loss. The Company has agreed with HMRC that it will revise it's PID tracker, but it will not recall past PIDs and reissue ordinary dividends. Because PIDs are assessed annually, this overpayment of PID for the financial years 2021 and 2022 is not expected to impact future periods.

Reconciliation of the total tax charge

The reconciliation of profit before tax multiplied by the standard rate of corporation tax for the year of 19% to the total tax charge in the statement of comprehensive income is as follows:

	For the year ended 31 August 2022 £'000	19 August 2020 to 31 August 2021, as restated £'000
(Loss)/profit before tax	(474,844)	16,103
Tax at the standard rate of UK corporation tax of 19%	90,220	(3,060)
Effect of:		
REIT exempt income and gains	–	398
Revaluation of investment properties	(86,046)	2,662
Losses not taxed for which no benefit can be recognised	(4,174)	–
Tax charge	**–**	**–**

UK REIT exempt income includes property rental income that is exempt from UK Corporation Tax in accordance with Part 12 of the Corporation Tax Act 2010.

9. Investment property

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Freehold investment property at the beginning year/period	320,932	–
Property acquisitions in the year/period	597,420	312,770
Reclassification of first year inducement where building is considered as habitable	(32,001)	(16,693)
Reclassification of first year inducement where building is considered as unhabitable	(2,918)	(1,604)
Prepaid Seller's Works recognised as receivable	(19,034)	(4,843)
Rent straight lining and lease inducement	34,014	17,290
Impairment of rent straight lining and lease inducement	(31,270)	–
(Decrease)/Increase in fair value of investment property	(452,873)	14,012
Fair value at the end of the year/period[1]	**414,270**	**320,932**

1. Included within the carrying value of investment property is £20,034,000 (2021 £17,290,000) in respect of lease inducements and rent-free periods which are allocated on a linear basis over the lease term.

The Group recognises investment properties at fair value at each balance sheet date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. The valuations have been prepared in accordance with the RICS Valuation – Global Standards July 2017 (the "Red Book") and incorporate the recommendations of the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (Revised April 2015) which are consistent with the principles set out in IFRS 13. Specifically, IFRS 13 defines the fair value hierarchy as follows:

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

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

9. Investment property — continued

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

Property valuations are inherently subjective and are made by the valuer based on assumptions which may not be accurate. Accordingly, the valuation of investment property is classified as Level 3.

The investment properties have been valued as at 31 August 2022 by Jones Lang LaSalle Limited ("JLL"), an accredited independent external valuer with relevant and recent experience of valuing residential properties of the type in which the Group invests. Fair value is the estimated amount for which a property would exchange on the date of the valuation in an arm's-length transaction and has been estimated using a combination of the investment approach and MV-VP. The investment approach involves applying a yield to the future income stream net of estimated voids and rent-free periods and then a reversion to MV-VP, which future cash flows are discounted back to the balance sheet date. The yield and estimated rental values are observed based on the valuers' judgment of comparable property and leasing transactions in the market. The primary factors which have been considered in assessing which valuation technique to use is the covenant strength of the tenant including their payment history and the property's condition. The other significant factors which are considered under both techniques include the property's type, its location and market conditions. The Group has been assessing the current condition (inspections occurred from August 2023 to May 2024) of each property through a formal inspection programme, whereby Vibrant Energy Solutions Ltd ("Vibrant") was engaged to perform an internal inspection of most properties and issue a condition report. If properties were inspected by another party for another purpose during that period, those properties have been excluded from the Vibrant inspection process and instead the valuer has made use of the report of the alternative provider. The condition of the properties as assessed in the inspection programme has been assumed to be the condition of the properties at the balance sheet dates.

To arrive at opinions of fair value, JLL divided the assets into four categories and estimated rental value and yield for each:

- Individual properties (suitable for occupation by a single family)
- Houses of Multiple Occupation (properties with individual bedrooms but common kitchen and other facilities, "HMO's")
- Residential investments (properties with individual flats for occupation), and
- Development properties (properties which are considered derelict and require substantial re-development)

Because JLL were appointed in August 2023 to perform valuations as at 31 August 2023 and 2022, JLL computed the values as of 31 August 2023 and adjusted their opinion of those values as at 31 August 2022 using reference to house price and rental market indices. To adjust MV-VP, JLL adopted the Nationwide Seasonally Adjusted House Price Index on a regional basis, with the quarters adjusted for the August year ends. To adjust market rent, JLL adopted the ONS Index of Private Rented Sector Housing Rental Prices, UK on a regional basis which is recorded monthly.

At 31 August 2023, all properties within the portfolio were subject to a lease, albeit as discussed in Note 3, not all of the leases were deemed to have commenced (for the purposes of recognising revenue) as those properties were deemed to be unhabitable. The security of the unexpired term for these leases differs across the portfolio depending on the covenant strength of the tenant. For tenants with a weak covenant strength (JLL considered each tenant's credit profile as at 31 August 2022 which resulted in more properties being valued on an investment basis compared to 31 August 2023) or where a property was deemed unhabitable or not fit for-purpose, JLL disregarded the leases and valued the properties on the basis of MV-VP. Where a property was deemed to be in a reasonable condition, capable of beneficial occupation, and let to a tenant who was likely to meet its rent demands in the short-term, JLL adopted the investment approach. For those tenants, JLL capped the unexpired lease term at five years, even where the actual unexpired lease term was for a longer period. This was due to a lack of confidence in those tenants being able to fulfil their lease obligations beyond five years. For those properties which were sublet to a tenant with a strong covenant, JLL ignored the primary in-place lease and instead capitalised the sublease passing rent for its remaining term (up to eight years). Where a property has a high passing rent in comparison to JLL's opinion of MV-VP, JLL capped the Fair Value at 150% of MV-VP.

9. Investment property — continued

The Group classifies all assets measured at fair value as below:

Fair value hierarchy

As at 31 August 2022	Total £'000	Quoted prices in active markets (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Assets measured at fair value:				
Investment property	414,270	–	–	414,270

As at 31 August 2021	Total £'000	Quoted prices in active markets (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Assets measured at fair value:				
Investment property	327,860	–	–	327,860

The investment properties were valued at 31 August 2021 by Knight Frank LLP, an accredited independent external valuer with relevant and recent experience of valuing residential properties of the type in which the Group invests. Knight Frank initially were also engaged to value the investment properties as at 31 August 2022 but resigned on 5 May 2023.

The 2021 Knight Frank valuation valued each asset on the investment approach. Having retrospectively considered the substance of the transactions and considered the level of works required, the Directors now consider that the substance of some transactions was that of a forward funding arrangement. The Directors have deducted the estimate of prepaid Seller's Works from the fair value of the Knight Frank valuation. Additionally, as discussed in Notes 3 and 4, the Directors also consider that the substance of entering into simultaneous acquisition and leasing transactions resulted in the indirect payment of lease inducements and the accounting should be corrected accordingly. These amounts have also been deducted from the value of the Knight Frank valuation, including adjustment for associated amortisation.
The Directors have also considered whether the 31 August 2021 Knight Frank valuation required additional adjustments and concluded that no further adjustments were required.

	As at 31 August 2021, as restated £'000
Investment property balance, as restated	320,932
Amounts allocated to:	
Lease incentive debtor for unhabitable buildings	1,604
Prepaid Seller's Works	4,843
Lease incentive amortisation	481
Investment property as per the Knight Frank valuation, as previously reported	**327,860**

9. Investment property — continued

The fair value of investment property at 31 August 2022 and 2021 was split between valuation techniques:

	As at 31 August 2022 £'000	As at 31 August 2021, £'000
Investment valuation approach	222,380	327,860
Market value – vacant possession approach	191,890	–
Fair value at the end of the year/period	**414,270**	**327,860**

Unobservable inputs used in the valuations (the 2022 figures exclude those properties valued using MV-VP):

Passing rent and yield range

Sector	Passing rent pa 31 August 2022 £'000	Passing rent pa range £'000	Valuation 31 August 2022 £'000	Valuation yield range %
Residential	23,409	3-324	222,380	2.6-32.6

Sector	Passing rent pa 31 August 2021 £'000	Passing rent pa range £'000	Valuation 31 August 2021 £'000	Valuation yield range %
Residential	18,275	3-365	327,860	5.25-5.78

The average passing rent per annum was £17,000 (2021: £26,000) and the average valuation yield was 11% for the year ended 31 August 2022 (2021: 5.34%).

Sensitivities of measurement of significant unobservable inputs

As noted above, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature. Because 876 of 2,239 properties (39.1% of properties) are valued using the MV-VP approach at 31 August 2022, and those valued under the investment approach are capped at 150% of MV-VP, changes in passing rents and initial yields do not impact the fair value as much as general price movements in the property market. The table below shows the sensitivities of measurement of the Group's investment property to those inputs (2022 excludes those properties valued using MV-VP):

As at 31 August 2022	-5% in passing rent £'000	+5% in passing rent £'000	+100bps in net initial yield £'000	-100bps in net initial yield £'000
Investment property	(3,300)	3,600	(6,800)	6,900

As at 31 August 2021	-5% in passing rent £'000	+5% in passing rent £'000	+25bps in net initial yield £'000	-25bps in net initial yield £'000
Investment property	(16,393)	16,393	(14,073)	15,395

For 2022, a 5% increase/decrease in MV-VP (for all properties) would increase/decrease the overall value of investment property by approximately £16,500,000.

As described in the Lease Inducement Payments section of Note 3, lease incentives of £32,001,000 and £16,693,000 were allocated at each acquisition totalling 1,408 and 659 leases to acquired properties in the year/period ended 31 August 2022 and 2021, respectively.

10. Financial instruments

Set out below is a comparison of the book value and fair value of the Group's financial instruments where a difference exists. The fair value of financial instruments not included in the comparison is equal to book value.

	As at 31 August 2022		As at 31 August 2021	
Bank borrowings	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Term loan	250,000	231,746	120,000	113,468
Unamortised loan arrangement fees	(4,953)	–	(2,472)	–
Bank borrowings	**245,047**	**231,746**	**117,528**	**113,468**

The following table sets out the fair value of those financial liabilities measured at amortised cost where there is a difference between book value and fair value.

Borrowings	Date of valuation	Total £'000	Quoted prices in active markets (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Borrowings	31 August 2022	231,746	–	–	231,746

Borrowings	Date of valuation	Total £'000	Quoted prices in active markets (level 1) £'000	Significant observable inputs (level 2) £'000	Significant unobservable inputs (level 3) £'000
Borrowings	31 August 2021	113,468	–	113,468	–

The Group's borrowings comprise two fixed term loan facilities, one for £120 million and the other for £130 million. Both facilities are with Scottish Widows Limited. The £120 million facility has an all-in rate of 2.07% per annum for the duration of the loan term and was due for repayment in December 2032. The £130 million facility has an all-in rate of 2.53% for the duration of the loan and was due for repayment in December 2036.

The Company and its subsidiaries are party to agreements with (amongst others) Scottish Widows including (in the case of the subsidiaries of the Company) facility agreements and (in the case of the Company) guarantees. Various breaches have occurred under those agreements. Since an initial waiver letter dated 30 January 2023 for an initial waiver period waiving certain breaches, new waiver letters have been issued on the expiry of each previous waiver period. The current waiver letter is scheduled to expire on 31 October 2024. The current waiver letter relates to various matters including financial covenants, an adverse change in the financial position of the Company and its subsidiaries, a failure to deliver audited accounts and other information, the suspension of the shares of the Company on the London Stock Exchange and the tax status of the Company. Scottish Widows has indicated that they expect the Group to undertake all efforts to repay both facilities by 31 December 2024. As a result of loan covenant breaches, the Group's borrowings have been reclassified as current liabilities in the year ended 31 August 2022.

The Group utilises a weighted approach of the income method and par to value its bank borrowings. The income approach estimates the fair value of a debt instrument by calculating the difference between contractual and market debt service payments discounted at an equity yield reflective of the risks inherent in the investment. The Group weighted the fair value of the debt at 50% of the income approach and 50% of par. The Group estimated the market replacement rate to be 4.78% for Home Holdings 1 and 4.97% for Home Holdings 2 as at 31 August 2022. If the estimated replacement rate were to increase or decrease by 1%, the resulting change in fair value would be a decease/increase in the mark-to-market of £10,939,000 and £12,757,000 respectively.

11. Trade and other receivables

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Tenant receivables in accordance with lease agreements	9,916	2,133
Rent not recognised because properties were unhabitable	(2,099)	(1,063)
Tenant receivables, net	7,817	1,070
Other receivables	426	–
Prepaid expenses	40	215
Tenant receivables and other financial assets	8,283	1,285
Provision for doubtful debts	(1,850)	–
Net tenant receivables and other financial assets	6,433	1,285
Prepaid Seller's Works	8,295	1,183
Lease inducement receivable for unhabitable properties	1,411	662
Trade and other receivables	**16,139**	**3,130**

Debtors

All current trade and other receivable amounts are due within one year. The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Directors analysed the expected credit loss and concluded that collection of debtors of £1,850,000 was doubtful and provided for such amounts at 31 August 2022 (2021: nil).

During the period from September 2021 to October 2022, without the knowledge or authority of the Board, debtors were settled in several non-traditional ways, including as follows:

- As noted above, at acquisition vendors usually had an obligation to improve a property to a good lettable standard and in some cases, vendors paid tenants to transfer the obligation to the tenants. The settlement agreements to transition capex obligations on properties from vendors to tenants resulted in cash of £1,748,000 being transferred to the Group to be used to settle debtors instead of being paid directly to the tenants. Cash in excess of outstanding debtors at the time was received in the amount of £282,000 and the excess funds were reimbursed to the associated two tenants;
- Vendors made payments on behalf of 14 tenants in the amount of £7,166,000;
- One tenant settled amounts on behalf of two other tenants in the amount of £1,614,000; and
- The Group withheld £2,142,000 from the acquisition of properties with an agreed price of £17,040,000, such that funds transferred at acquisition were £14,898,000. The funds withheld were offset against debtors from three tenants.

These transactions were used to settle specific debtors from specific tenants as directed by AHRA. The Directors considered whether the more appropriate accounting would be to reduce the carrying value of the property for the cash payment or as a creditor. The debtor balances would then be written off as uncollectible under IFRS 9. However, there was correspondence between AHRA and vendors which provided evidence of the intent of the cash transfers. Further, there were no signed notes or other agreements executed which would signify any lending arrangements. Accordingly, the Directors concluded that applying the cash received against outstanding debtors was in-line with the intent of the transaction.

Any outstanding debtors at 31 August 2022 after making the above cash applications were provided for in full.

The following table sets out the ageing profile of trade and other receivables that are financial assets:

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
30 days or fewer	2,839	621
31 to 60 days	1,140	234
61 to 90 days	3,146	408
91 to 120 days	831	22
Over 120 days	327	–
	8,283	**1,285**

Prepaid Seller's Works

As discussed more fully in Note 3, a portion of the purchase price in the amount of £19,034,000 and £4,843,000 were allocated to Seller's Works in the year/period ended 31 August 2022 and 2021, respectively. This is the estimated amount of capital expenditures to improve the property to a lettable standard. In the year/period ended 31 August 2022 and 2021 £11,922,000 and £3,660,000 was written off when the vendor did not complete the Seller's Works by the SWLD.

11. Trade and other receivables — continued

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Prepaid Seller's Works at beginning of the year/period	1,183	–
Prepaid Seller's Works recognised during the year/period	19,034	4,843
Write-off of Seller's Works not initiated or completed	(11,922)	(3,660)
Prepaid Seller's Works at the end of the year/period	**8,295**	**1,183**

Lease Inducement for unhabitable properties

As discussed more fully in Note 3, a portion of the purchase price in the amount of £2,918,000 and £1,604,000 in the year/period ended 31 August 2022 and 2021, respectively were allocated to a receivable for unhabitable properties in lieu of a lease inducement because the associated properties were not considered habitable at acquisition. In the year/period ended 31 August 2022 and 2021 £2,169,000 and £942,000 of cash was received associated with the leases.

12. Cash reserves

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Cash held in Lockbox accounts	73,115	35,872
Cash held by solicitors for property acquisitions	18,260	–
Retentions held by solicitors	10,468	3,661
Cash held in escrow for property repairs	–	375
Restricted cash held by third parties	101,843	39,908
Cash and cash equivalents	74,514	6,218
Total cash reserves	**176,357**	**46,126**

The Group only gains access to the restricted cash held in Lockbox accounts when approved security is provided to the Lender (£73,115,000; 2021: £35,872,000). Cash of £18,260,000 was held by the Group's solicitors which was to be used to complete investment property acquisitions subsequent to 31 August 2022 (31 August 2021: £nil).

Retentions of £12,089,000 and £5,330,000 were withheld from the acquisition of properties in the year/period ended 31 August 2022 and 2021, respectively. AHRA authorised the release of £5,282,000 and £1,669,000 retentions to vendors in the year/period ended 31 August 2022 and 2021, respectively.

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
At beginning of the year/period	3,661	–
New retentions on acquisitions in the year/period	12,089	5,330
Retentions released to vendors	(5,282)	(1,669)
Retentions at the end of the year/period	**10,468**	**3,661**

On 18 June 2021, the Company entered into an escrow agreement with Noble Tree Foundation Limited, a tenant, and Intertrust Trustee 3 (Jersey) Limited whereby an affiliate of Karla Asset Management Limited provided £750,000 to an escrow account in the name of the Company with such funds to be used as approved by two AHRA fund managers, acting without the authority of the Directors. The fund could be accessed by the two tenants, Noble Tree Foundation Limited and Big Help Project, as approved by the two fund managers. As at 31 August 2021, £375,000 had been distributed with the rest distributed in the financial year 2022.

13. Trade and other payables

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Trade creditors	375	353
Accrued expenses	4,938	777
Retentions payable	10,468	3,661
Total trade creditors and accrued expenses	**15,781**	**4,791**

All trade and other payables are due within one year. The Directors consider that the carrying amount of trade and other payables approximates fair value.

Retentions payable are amounts due to vendors payable when they complete property improvements which were agreed in the original SPA. See Note 12 for more information on retentions.

14. Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk.

Alvarium FM and AHRA had risk management procedures and processes in place which would have enabled them to monitor the risks of the Group. The objective in managing risk is the creation and protection of shareholder income and value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, impact assessment, and monitoring and subject to risk limits and other controls.

The principal financial risks facing the Group in the management of its portfolio are as follows:

Credit risk

Credit risk is the risk that a tenant or another counterparty will not meet its obligations under a lease or other financial instrument which would cause financial loss to the Group. The Group is exposed to credit risk through its tenant leases and cash deposits on account with its commercial bank and with solicitors pending completion of acquisitions or Seller's Works.

It is the Group's policy to enter commercial banking arrangements with reputable financial institutions. The AIFM monitors the credit worthiness of banks used by the Group by review of credit ratings, financial statements and other public records and news on a quarterly basis. Where the Group transfers funds to its solicitors pending acquisitions or as a retention subject to completion of a workstream, the associated law firms place those funds in legally restricted client accounts.

In respect of tenant leases, in the event of a default by a tenant, the Group suffers an income shortfall and additional costs in reletting the property as well as vacancy costs. Payment of dividends is dependent upon the receipt of rental income. Further, a default by a tenant would adversely impact the value of investment property by either widening the yield underpinning an investment-based valuation or change the appropriate fair value technique from investment basis to MV-VP.

The Board were not presented with any information by AHRA that indicated that tenants were in financial difficulty. Since its appointment, AEW has undertaken an assessment of existing tenants classifying each tenant into the following categories: liquidation (now or expected), replacement/rationalised and potential long-term tenants. In situations where the tenant is not considered long-term, AEW expect to surrender the leases to take back control of the underlying properties to either let directly as PRS or re-let to a housing provider for Supported Living. Where lease surrenders cannot be agreed commercially, AEW has taken action against the tenants which could include statutory demands, forfeiture and winding up petitions. In the few instances where the tenant is performing well, the leases will remain in place, although terms may be varied.

AEW is continuing to assess potential prospective tenants and property managers, including quality providers of social housing and support services for properties suitable for occupation. Stringent covenant and capability analysis will be undertaken on all proposed property managers and tenants in accordance with AEW's rigorous processes. AEW provides regular updates to the Board on its strategy by tenant and the progress against business plans.

The table below shows the Group's exposure to credit risk:

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Cash and cash equivalents	74,514	6,218
Restricted cash	101,843	39,908
Tenant receivables and other financial assets	6,433	1,285
	182,790	**47,411**

Liquidity risk

AEW manages the Group's liquidity and funding risks by regularly updating a short-term (13 week) cash flow forecast to ensure sufficient unrestricted cash balances are held within the Group to meet current and future needs. To assess longer term requirements, AEW prepares a medium-term cash flow forecast which is reviewed with the Board. AEW assesses the ability of tenants to settle obligations within normal terms of credit which supports both forecasts.

14. Financial risk management — continued

The following table details the Group's liquidity analysis in respect of its financial liabilities on contractual undiscounted payments (assuming repayment of the debt under the original contractual terms, before consideration of loan covenant breaches):

31 August 2022	< 3 months £'000	3-12 months £'000	1-5 years £'000	5 years + £'000	Total £'000
Bank borrowings and interest	1,440	4,337	23,124	293,622	322,523
Retentions payable[1]	10,468	–	–	–	10,468
Trade and other payables	5,313	–	–	–	5,313
	17,221	**4,337**	**23,124**	**293,622**	**338,304**

31 August 2021, as restated	< 3 months £'000	3-12 months £'000	1-5 years £'000	5 years + £'000	Total £'000
Bank borrowings and interest	620	1,881	9,950	135,640	148,091
Retentions payable[1]	3,661	–	–	–	3,661
Trade and other payables	1,130	–	–	–	1,130
	5,411	**1,881**	**9,950**	**135,640**	**152,882**

1. As discussed in Notes 3 and 4, the Group has accounted for retentions on a cash basis as supporting documentation was not always available to support the release of amounts to vendors. Accordingly, all amounts are presented as due within the next three months in the table above.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As discussed more fully in Note 1 and below, Scottish Widows expects the full repayment of the debt at the earliest possible date and not later than 31 December 2024. AEW is working with: i) an auction house to sell some properties and ii) third-party brokers to package portfolios of properties to sell in order to fully repay the Lender by that date.

Capital management

Until the announcement of the managed wind-down discussed in Note 1, the Board and AEW monitored the Group's capital position to provide sustainable returns for shareholders, to facilitate growth and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers proceeds from share issuance, bank borrowings and retained earnings as capital. The Group historically targeted aggregate borrowings of 35% of the value of the Group's assets with a maximum level of 50%. However, with the unrealised loss on investment property of £452,873,000 in the year to 31 August 2022, the LTV has risen above 50%. As noted above, the Group intends to sell portfolios of properties in order to fully repay the Lender at the earliest possible date and in any event before 31 December 2024. The dividend policy of the Group is to distribute at least 90% of its tax-exempt profit.

The Company and its subsidiaries are party to agreements with (amongst others) Scottish Widows Limited including (in the case of the subsidiaries of the Company) facility agreements and (in the case of the Company) guarantees. Various breaches have occurred under those agreements. Since an initial waiver letter dated 30 January 2023 for an initial waiver period waiving certain breaches, new waiver letters have been issued on the expiry of each previous waiver period. The current waiver letter is scheduled to expire on 31 October 2024. The current waiver letter relates to various matters including financial covenants, an adverse change in the position of the Company and its subsidiaries, a failure to deliver audited accounts and other information, the suspension of the shares of the Company on the London Stock Exchange and the tax status of the Company.

The Company has re-evaluated the covenant compliance for both fixed term loans (referred to in Note 10 above) based on the restated financial information and concluded that the loan-to-value, historic interest cover and projected interest cover covenants would have been breached as of 31 August 2022. Accordingly, the bank borrowings balance is now presented as current.

15. Share Capital

Ordinary Shares of £0.01 each	As at 31 August 2022 Number	As at 31 August 2021 Number
At the beginning of the year/period	240,570,465	–
Issued on incorporation	–	1
Further Shares issued during the year/period	550,000,000	240,570,464
Issued and fully paid at year/period end	790,570,465	240,570,465

Share capital is the nominal amount of the Company's shares in issue.

The Company was incorporated on 19 August 2020 issuing one ordinary share of £0.01 nominal value for £1. On 3 September 2020, 50,000 redeemable preference shares of £1 each were issued at £1 per share (quarter paid up). The Company achieved admission to the premium listing segment of the Official List of the London Stock Exchange (the "IPO") on 12 October 2020.

At the date of the Company's IPO, the Company issued and allotted a further 240,570,464 ordinary shares of £0.01 nominal value each at £1 per share. Therefore, 240,570,465 ordinary shares have been issued and fully paid. The redeemable preference shares were redeemed at par and cancelled on the date of the IPO.

On 27 September 2021, the Group raised £350 million through an initial issue of 321,100,917 new Shares at an issue price of 109 pence per new Share.

On 31 May 2022, the Group raised £263 million through an initial issue of 228,899,083 new Shares at an issue price of 115 pence per new Share.

16. Share premium

	As at 31 August 2022 £'000	As at 31 August 2021 £'000
Balance at the beginning of the year/period	–	–
Share premium arising on shares issued in relation to equity issuance	607,734	238,164
Share issue costs	(12,001)	(4,811)
Transfer to special distributable reserve (Note 17)	–	(233,353)
Balance at end of year/period	**595,733**	**–**

The share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

17. Special distributable reserve

	As at 31 August 2022 £'000	As at 31 August 2021 £'000
Balance at beginning of the year/period	229,360	–
Transfer from share premium account (Note 16)	–	233,353
Dividend distribution (Note 18)	(28,320)	(3,993)
Balance at end of year/period	**201,040**	**229,360**

The special distributable reserve represents the cancelled share premium (for the first share issuance) less dividends paid from this reserve. This is a distributable reserve.

18. Dividends

On 15 September 2021, the Group declared an ordinary dividend of 0.84 pence per Share, which was paid on 22 October 2021 to shareholders on the register as at 24 September 2021. This dividend was paid as a property income distribution.

On 27 January 2022, the Group declared a dividend of 1.37 pence per Share, which was paid on 25 February 2022 to shareholders on the register as at 4 February 2022. 0.10 pence of this dividend was paid as a non-property income distribution. The remaining balance of 1.27 pence was paid as property income distribution.

On 5 May 2022, the Group declared a dividend of 1.37 pence per Share, which was paid on 10 June 2022 to shareholders on the register as at 13 May 2022. This dividend was paid as a property income distribution.

18. Dividends — continued

On 4 August 2022, the Group declared a dividend of 1.38 pence per Share, which was paid on 9 September 2022 to shareholders on the register as at 12 August 2022. This dividend was paid as a property income distribution.

The Board approved these distributions based on financial statements and forecasts provided by AHRA and to ensure it distributed Property Income, as defined, in order to comply with REIT regulations. In addition, the Board considered that it had the substantial Special Distributable Reserve (Note 17) which could cover any imprecision in AHRA's estimates. However, had the full, accurate information regarding the material corrections made to these financial statements been provided to the Board at the time of approving the distributions, the Board would not have approved the distributions.

19. Related party transactions

Investment Adviser

AHRA was appointed as the investment adviser to the Group by entering into the IAA with the Company. Under this agreement, AHRA was to advise the Group in relation to the management, investment and reinvestment of the assets of the Group. As at 31 August 2022, AHRA was a subsidiary of Alvarium RE Limited (now AlTi RE Limited ("AlTi RE")). As noted in Note 26, on 4 January 2023, the Company announced that AlTi RE had sold AHRA, its wholly-owned subsidiary, to AHRA's management in exchange for a promissory note.

The investment advisory fees were calculated as an amount calculated in arrears in respect of each month, in each case based upon the net asset value (adjusted for undeployed cash) of the Group on the following basis:

a One-twelfth of 0.85%, per calendar month of net asset value up to and including £500 million;

b One-twelfth of 0.75% per calendar month of net asset value above £500 million up to and including £750 million; and

c One-twelfth of 0.65% per calendar month of net asset value above £750 million.

During the year ending 31 August 2022, the Group incurred fees of £5,322,000 (2021: £1,828,000). At 31 August 2022 an amount of £582,000 was unpaid (2021: £175,000).

Initially, the IAA could be terminated on 12 months' written notice, such notice to expire on or at any time after the fifth anniversary of 12 October 2020. Additionally, the IAA could be terminated with immediate effect on the occurrence of certain events, including insolvency or in the event of a material and continuing breach. On 15 March 2023, the Company and AHRA agreed to terminate the IAA with effect from 30 June 2023.

On 22 May 2023, AEW was appointed as Property Adviser for the transition period and subsequently on 21 August 2023, on expiry of the transition period as AIFM and Investment Manager (see AIFM section below below). The transition period lasted from the date of appointment until the commencement of Phase 1. Phase 1 continues for two years from the date of commencement, at which time Phase 2 commences. Phase 1 commenced when the following occurred:

1. Alvarium FM and AHRA ceasing to act for the Group,
2. FCA approval of the appointment of AEW as AIFM for the Company
3. The adoption of the Amended Investment Policy.

During the transition period, AEW was paid £3,000,000 per annum. AEW is paid an annual fee in Phase 1 :

1. A fixed fee of £3,000,000 from the commencement of the transition period and as increased at each successive anniversary by the lower of CPI, RPI and 5%;
2. A variable fee for disposal of investments of £422 per bed, as defined; and
3. A variable fee of 10% of rent collected by the Group from its investments.

The maximum amount payable in any year under this agreement is £5,000,000 (which is increased in year 2 to the extent that total fees in year 1 fall below £5,000,000.) In Phase 2, the Company shall pay a fee of 0.75% of NAV, subject to a minimum annual fee of £3,000,000, which increases annually at the lower of CPI, RPI or 5% (from the commencement of the transition period).

AIFM

Under the terms of the IMA, Alvarium FM was appointed as the AIFM of the Company. The AIFM acts as investment manager with responsibility for the management of the assets of the Group in accordance with the investment policy of the Group and the policies and directions of the Board and is regulated in the conduct of investment business by the FCA. Alvarium FM is a subsidiary of Alvarium Investments Limited (now AlTi Asset Management Holdings 2 Limited). Under the IMA, Alvarium FM received a fee of £40,000 per annum. No performance fee was payable to Alvarium FM as at 31 August 2022 and 2021. The IMA was terminated on 21 August 2023. On the same day, AEW was appointed as AIFM. Compensation for AEW's role as AIFM is included in its fee discussed above.

19. Related party transactions — continued

Corporate Broker

Alvarium Securities Limited (now called Ellora Partners Limited) ("Alvarium Securities") was appointed on 22 September 2020 to provide corporate broking services to the Group. Alvarium Securities is a subsidiary of Alvarium Investments Limited (now called AlTi Asset Management Holdings 2 Limited). Alvarium Securities was paid an annual retainer fee in the amount of £50,000 by the Group. During the year ending 31 August 2022, the Group incurred additional fees of £10,413,000 (2021: £3,878,000) from Alvarium Securities in relation to equity raises in September 2021 and May 2022. In 2021 these fees were in relation to the initial public offering and subsequent admission to the London Stock Exchange. These costs have been treated as a reduction in equity as share issue costs. Alvarium Securities resigned on 8 February 2023.

On 1 November 2022, the Company announced that it had appointed Jefferies International Limited as Joint Corporate Broker in exchange for an annual retainer of £50,000. On 1 February 2023, the agreement was terminated.

On 5 July 2023, the Company appointed Liberum Capital Limited (now Panmure Liberum Capital Limited) ("Liberium") as corporate broker and Capital Markets Adviser ("CMA"). Liberum are paid an annual corporate broking fee of £150,000 until the one-year anniversary of the Company being readmitted to trading on the main market of the London Stock Exchange ("readmission"). After that date, Liberum will be paid an annual retainer of £100,000, with additional fees of up to £50,000 depending on certain criteria. Liberum was initially due to be paid a CMA fee of £200,000 until 31 December 2023. When readmission did not occur by 31 December 2023, the annual retainer was increased to £240,000.

Directors

The Directors are entitled to receive a fee from the Group at such rate as may be determined in accordance with the Articles of Association. The initial fees are £36,000 for each Director and £50,000 for the Chair per annum. The Chair of the Audit Committee receives an additional fee of £5,000 per annum. During the year ended 31 August 2022, Directors' fees of £176,000, including related costs of £13,000 (31 August 2021: £150,000) were paid, of which none was payable at the 31 August 2022 and 2021.

As at 31 August 2022, the Directors had the following shareholdings in the Group all of which are beneficially owned:

	Number of Shares held	% of Shares in issue
Lynne Fennah	55,000	0.007
Simon Moore	56,000	0.007
Marlene Wood	30,000	0.004
Peter Cardwell	10,000	0.001

The above Directors were appointed on 3 September 2020. On incorporation on 19 August 2020 William Saunders and Alan Sauvain were appointed as Directors, and subsequently resigned as Directors on 3 September 2020.

20. Reconciliation of liabilities to cash flows from financing activities

	Borrowing as at 31 August 2022 (£'000)	Borrowing as at 31 August 2021 (£'000)
Balance at the beginning of year/period	117,528	–
Cash flows from financing activities		
Net bank borrowings drawn down	92,757	84,128
Bank borrowing held in restricted account	73,115	35,872
Prior period cash transferred from restricted account	(35,872)	–
Loan arrangement fees paid	(2,743)	(2,507)
Non-cash movements		
Amortisation of loan arrangement fees	318	116
Loan arrangement fees accrued	(56)	(81)
Balance at end of the year/period	**245,047**	**117,528**

21. Contingent liabilities

Harcus Parker Limited ("Harcus Parker"), a law firm specialising in claimant group actions, soliciting investors on a fully contingent basis ('no win no fee') to join together in bringing claims against the following parties:

- the Company
- the Directors Defendants (those directors who were in office when the Shares were suspended);
- AHRA;
- Alvarium FM; and
- AITi RE, the former principal of AHRA by way of an Appointed Representative Agreement.

As of the date of this document, there has been no claim issued by Harcus Parker. Harcus Parker has sent a pre-action letter of claim (enclosing draft particulars of claim) to the Company and Director Defendants (along with the other defendant parties listed above) on behalf of a number of shareholders in the Company, which alleges that the Company and the Director Defendants provided information to investors which was false, untrue and/or misleading and as a result shareholders suffered losses. The Board is not currently able to conclude whether or when a formal claim may be issued and, if a claim is issued, what the quantum of such a claim may be. The Board has stated publicly that both the Company and the Director Defendants intend vigorously to defend the threatened claims. The Company and the Director Defendants sent a lengthy and detailed letter of response to Harcus Parker. On 5 March 2024, the Company announced that it intends to bring legal proceedings against those it considers are responsible for wrongdoing. To that end, the Company sent pre-action letters of claim to Alvarium FM and AITi RE on 12 April 2024, and AHRA on 29 May 2024.

Two of the Company's subsidiaries issued statutory demands to a tenant in August 2024. In response, the tenant disputed the statutory demands and subsequently filed a claim in court against 8 different parties, including the Company and the two subsidiaries. The other defendants include other companies and individuals, one of which is a former director of the subsidiaries. The claim has been issued by Court but the tenant has not yet served the proceedings on the Company and subsidiaries. The claim alleges damages for conspiracy, misrepresentation, rescission of the leases and interest and court costs. The tenant has not provided particulars of its losses but claims to have suffered a primary loss (from all parties) of approximately £1 million. One of the remedies being sought by the tenant is rescission of the leases, which would nullify the effects of the leases from inception. Further, the Directors believe that if any damages have been incurred by the tenant, they are lower than the rent owed to the group (and which are supported by payments it is receiving from underlying occupants) However, the Directors cannot estimate what if any amounts would be payable until the particulars of the losses are disclosed in detail. The Board intend to vigorously defend their position if and when the claim is issued by the tenant.

On 12 February 2024, the Company was notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023. The Directors are not able to assess or quantify what if any action may be taken.

22. (Loss)/earnings per Share

(Loss)/earnings per share per IFRS is calculated by dividing profit or loss attributable to ordinary equity holders of the Group by the weighted average number of Shares in issue for the year/period ended 31 August 2022 and 2021. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the period.

	Year ended 31 August 2022	19 August 2020 to 31 August 2021, as restated
(Loss)/earnings (£'000)	**(474,844)**	**16,103**
Weighted average number of Shares in issue during year/period	597,120,672	206,203,256
(Loss)/earnings per share (pence)	**(79.52)**	**7.81**

23. Net asset value per Share

Net asset value per Share is calculated by dividing the consolidated net assets attributable to ordinary equity holders of the Group by the number of Shares outstanding at the reporting date. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the current or comparative periods.

	Year ended 31 August 2022	19 August 2020 to 31 August 2021, as restated
NAV (£'000)	**345,938**	**247,869**
Number of Shares ('000)	790,570	240,570
NAV per Share	**43.76p**	**103.03p**

24. Segmental information

Operating segments are identified on the basis of internal financial reports regarding components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Board) in order to allocate resources to the segments and to assess their performance.

The internal financial reports contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements.

The Group's property portfolio comprises investment property. The Board considers that all the properties have similar economic characteristics. Therefore, in the view of the Board, there is one reportable segment.

All of the Group's properties are based in the UK and as such no geographical grouping is considered appropriate for segmental analysis.

During the year the Group had two tenants, which were considered to be major customers, contributing more than 10% of the Group's contractual annual passing rent. The Directors understand that certain tenants have common directors, however, they do not have enough information to consider whether they would be considered companies under common control, as defined in IFRS 3, Business Combinations. The Group has not aggregated the tenants with common directors in this disclosure.

	For the year ended 31 August 2022		19 August 2020 to 31 August 2021	
	% of total	£'000	% of total	£'000
Lotus Sanctuary CIC	12%	6,593	13%	2,297
Supportive Homes CIC*	10%	5,585	–	–
Other tenants (each less than 10%)	78%	41,737	87%	15,970
Rental income	**100%**	**53,915**	**100%**	**18,267**

* In the prior period Supportive Homes CIC annual rent was shown as a part of the other tenant's balance.

25. Consolidated entities

The Company owns 100% of the equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the board of directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the respective directors based on simple majority votes. Therefore, the Board has concluded that the Company has control over all these entities and all these entities have been consolidated within this set of financial statements.

Name of entity	Principal activity	Country of incorporation	Ownership
Home Holdings 1 Limited	Property investment	UK	100%
Home Holdings 2 Limited	Property investment	UK	100%
Home Holdings 3 Limited	Property investment	UK	100%
Home Holdings 4 Limited	Property investment	UK	100%

25. Consolidated entities — continued

On 25 May 2022 the below named entities were subject to a members voluntary liquidation. The net assets of these entities were transferred to Home Holdings 1 Limited.

Fox Alpha SPV Limited

Fox Bravo SPV Limited

FPI Co 417 Limited

FPI Co 418 Limited

FPI Co 419 Limited

Grolar Developments SPV 9 Limited

Grolar Developments SPV 11 Limited

Pathway Homes Group (Exeter) Limited

Pathway Homes Group (Luton) Limited

Pathway Homes Group (Morecambe) Limited

Pathway Homes Group (Plymouth) Limited

Pathway Homes Group (Stoke) Limited

26. Post balance sheet events

Investment Adviser and AIFM

On 4 January 2023, the Company announced that Alvarium RE Limited (now called AlTi Re Limited) sold its wholly owned subsidiary AHRA, to AHRA's management in exchange for a promissory note which was effective on 30 December 2022.

On 15 March 2023, the Company agreed with AHRA to terminate the IMA (which formed the contractual relationship between the Company, Alvarium FM and AHRA) with effect from 30 June 2023. On 22 May 2023, the Board appointed AEW to provide property advisory services and announced its intent to engage AEW as Investment Manager and AIFM after receipt of FCA and shareholder approval for a revised investment policy. On 21 August 2023, Alvarium FM ceased to act as AIFM after shareholders approved the revised investment policy and the Board of the Company formally appointed AEW as Investment Manager and AIFM.

Non-Executive Director Changes

On 18 January 2024, the Company announced the appointment of Michael O'Donnell as an independent non-executive director succeeding Lynne Fennah as independent non-executive chair with immediate effect.

On 2 April 2024, the Company announced the appointment of Peter Williams as senior independent non-executive director with immediate effect.

On 7 June 2024, the Company announced the appointment of Rod Day as an independent non-executive director with immediate effect.

Dividends

On 12 December 2022, the Company declared an interim dividend of 1.38 pence per share in respect of the period from 1 June 2022 to 31 August 2022, which was paid on 20 January 2023 to shareholders on the register as at 22 December 2022. This dividend was paid as a property income distribution.

On 16 February 2023, the Board announced that except for any distributions that would be required to maintain REIT status, that it has ceased paying any further dividends until further notice.

Acquisitions and disposals

From 1 September 2022 to 30 November 2022, the Group acquired 232 new assets totalling £104,061,000 (including purchase costs) of which £5,882,000 related to Seller's Works due to be completed by the vendor.

From 4 August 2023 to 10 October 2024, the Group exchanged on the sale of 1,491 properties for gross sales proceeds of £216,522,000, of which 1,228 properties had completed with gross sales proceeds of £169,749,000. Investment properties which were valued at £220,145,000 in the 31 August 2022 Consolidated Statement of Financial Position were exchanged for £195,151,000. Of the proceeds received on completions, £120,166,000 was applied against the outstanding loan balances. As of 10 October 2024, 263 properties have exchanged but not completed with a total gross sales value of £46,773,000.

Restricted cash

Of the cash held in lockbox accounts as at 31 August 2022, £34,234,000 of cash was released after Home Holdings 2 Limited provided approved security to the Lender. The balance of £38,881,000 was never released. Of the balance, £30,000,000 was applied against the outstanding borrowings in April 2023 and the balance of £8,881,000 was applied in December 2023.

Cash held by solicitors at 31 August 2022 of £18,260,000 was used to fund a portion of the purchase price of the assets acquired as discussed above.

Of the retentions held by solicitors, £5,240,000 has been released to the Company since 31 August 2022.

Viceroy Research Report and Subsequent Appointment of Alvarez & Marsal Disputes and Investigations LLP

On 23 November 2022, the Company acknowledged that Viceroy Research LLP ("Viceroy Research") issued a short-seller report. On 30 November 2022, the Company published a detailed rebuttal, which was supported by a full verification exercise conducted by Stephenson Harwood LLP, the Company's primary legal advisers at the time, and based on formal representations from AHRA and Alvarium FM. Also on 30 November 2022, Viceroy Research issued a response to the rebuttal.

26. Post balance sheet events — continued

In late December 2022 the Board received information which resulted in the Board considering it appropriate to instruct Alvarez & Marsal Disputes and Investigations LLP ("A&M") to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research report dated 23 November 2022 and the response thereto issued by the Company. On 5 May 2023, A&M delivered to the Company a detailed report. Without waiver of privilege, the key findings of the report were:

- Arrangements with the Group's corporate tenants and vendors relating to the cost of refurbishment of properties were not brought to the attention of the Board by AHRA, so that the Board was unable to consider whether a release of a vendor's liabilities for refurbishment of properties was appropriate. These arrangements included a representative of AHRA, without the knowledge or authority of the Board, entering into a settlement agreement on 8 December 2022 between the Group and various property vendors (the "Aggregators"), whereby the Company would pay £675,000 and purportedly waive any refurbishment claims against the Aggregators in relation to 488 properties on 8 December 2022.
- The Board had not approved, or been provided with information regarding alternative arrangements to settle outstanding rent arrears (as discussed in Note 5);
- There was limited evidence of detailed ongoing monitoring of tenants being undertaken by AHRA;
- AHRA provided inaccurate information about occupancy rates to The Good Economy Partnership Limited, who had been commissioned by the Company to produce an independent report on the Group's performance and social impact on an annual basis;
- Certain connections between tenants existed that were not disclosed to the Board; and
- There existed certain undisclosed potential outside business interests and undeclared potential conflicts of interest as between certain persons associated with AHRA and third parties.

Tenant matters and lease amendments

On 29 September 2022, AHRA entered into deeds of variation on behalf of the Group with N-Trust Homes CIC and Select Social Housing CIC (without Board knowledge) such that all leases with both tenants received a rent-free period with retroactive effect from 1 March 2022 and extending eighteen months to 31 August 2023 in exchange for changing the lease extension agreement from five years to ten years.

On 4 October 2022, AHRA entered into a deed of variation on behalf of the Group with ICDE Homes CIC (without Board knowledge) such that all leases with ICDE Homes CIC received a rent-free period with retroactive effect from 1 March 2022 and extending eighteen months to 31 August 2023 in exchange for changing the lease extension agreement from five years to ten years.

Since 31 August 2022, a number of tenants have surrendered leases or gone into creditors voluntary liquidation. Of leases associated with the tenants in place on the 2,239 properties owned by the Group on 31 August 2022, 369 are still in in place, 452 properties have been turned over to a property manager resulting in the Group having direct leases with the occupants, 349 are re-tenanted, and 1,069 have been sold.

Other Advisor Updates

On 19 January 2023, the Company announced that AHRA had engaged sector specialist, Simpact Group, to perform a detailed review of the Group's portfolio and to monitor and assist with managing the Group's tenants, including rent collection and recovery of arrears. The contract was subsequently assigned to the Company and the engagement was terminated with effect from 31 October 2023.

On 13 February 2023, the Company appointed Smith Square Partners LLP as financial adviser and the relationship was terminated on 24 August 2023 with effect from 24 November 2023.

As described more fully in Note 19, Alvarium Securities resigned as corporate broker on 8 February 2023. On 5 July 2023, the Company engaged Liberum as capital markets adviser as more fully described in Note 19.

On 29 October 2022, the Company appointed Jefferies International Limited as joint broker. The agreement with Jefferies International Limited was terminated on 1 February 2023.

Lender Discussions

As a result of the property sales discussed above and application of lockbox amounts against the loan balance, as of 30 September 2024, the outstanding loan balances totalled £71,981,000.

On 19 June 2023 Scottish Widows imposed a Deferred Fee of 0.5% of the aggregate amounts outstanding on the two fixed term loans (referred to in Note 10) at each of 31 August 2023 and 30 November 2023, payable on the full and final repayment of the loan. On 4 December 2023 Scottish Widows imposed a further Deferred Fee effective from 30 November 2023 being the equivalent of 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis, payable at the earlier of 28 June 2024 or the full and final repayment of the loans. On 2 July the Deferred Fee was increased from 5% to 7% with effect from 1 July 2024 until the

26. Post balance sheet events — continued

full repayment of the loan. From 31 August 2022 to the final repayment of the two loans in December 2024, the Group expects payments to Scottish Widows will total £268,534,000, which is comprised of payments of principal of £250,000,000, of contractual interest of £9,477,000 and of the Deferred Fees of £9,057,000.

Property Valuation

The investment properties that were held at 31 August 2023 have been valued as at 31 August 2023 by Jones Lang LaSalle Limited ("JLL") with a fair value of £412,720,000.

Potential Litigation/FCA Investigation

A pre-action letter of claim has been sent to the Company and the Director Defendants by Harcus Parker on behalf of certain shareholders of the Company. On 5 March 2024, the Company announced that it intends to bring legal proceedings against those parties it considers are responsible for wrongdoing. On 12 April 2024, the Company issued pre-action letters of claim to Alvarium FM and AlTi RE Limited, AHRA's principal. On 29 May 2024, the Company issued a pre-action letter of claim to AHRA.

On 13 February 2024, the Company announced that it had been notified by the FCA of its commencement of an investigation into the Company covering the period from 22 September 2020 to 3 January 2023.

Other

As noted above, the following subsidiary entities were put into member's voluntary liquidation and subsequently dissolved on the date in parenthesis: Fox Alpha SPV Limited (22 August 2023); Fox Bravo SPV Limited (22 August 2023); FPI Co 417 Limited (22 August 2023); FPI Co 418 Limited (22 August 2023); FPI Co 419 Limited (25 August 2023); Grolar Developments SPV 9 Limited (22 August 2023); Grolar Developments SPV 11 Limited (22 August 2023); Pathway Homes Group (Exeter) Limited (22 August 2023); Pathway Homes Group (Luton) Limited (22 August 2023); Pathway Homes Group (Morecambe) Limited (10 January 2024); Pathway Homes Group (Plymouth) Limited (22 August 2023); Pathway Homes Group (Stoke) Limited (22 August 2023).

27. Controlling parties

There is no ultimate controlling party of the Group.

Company Financial Statements

Company Statement of Financial Position

Company number: 12822709

	Note	As at 31 August 2022 £'000	As at 31 August 2021 Restated £'000
Non-current assets			
Investment in subsidiaries	5	–	10,390
Investment property	6	3,447	8,793
Amounts due from subsidiaries	7	329,499	185,551
Total non-current assets		**332,946**	**204,734**
Current assets			
Amounts due from subsidiaries	7	13	26,279
Trade and other receivables	7	161	228
Restricted cash	8	–	375
Cash and cash equivalents	8	16,581	68
Total current assets		**16,755**	**26,950**
Total assets		**349,701**	**231,684**
Non-current liabilities			
Amounts due to subsidiaries	9	–	1,750
Total non-current liabilities		**–**	**1,750**
Current liabilities			
Trade and other payables	9	3,796	589
Total current liabilities		**3,796**	**589**
Total liabilities		**3,796**	**2,339**
Net assets		**345,905**	**229,345**
Capital and reserves			
Share capital	10	7,906	2,406
Share premium	11	595,733	–
Special distributable reserve	12	201,040	229,360
Accumulated losses		(458,774)	(2,421)
Total capital and reserves attributable to equity holders of the company		**345,905**	**229,345**

The loss and total comprehensive loss attributable to the shareholders of the parent Company for the year ended 31 August 2022 amounted to £456,353,000 (for the period from 19 August 2020 to 31 August 2021: loss of £2,421,000).

The notes on pages 136 to 144 form part of these financial statements.

The Company financial statements of Home REIT plc were approved and authorised for issue by the Board of Directors on 10 October 2024 and signed on its behalf by:

Michael O'Donnell
Chair

Company Statement of Changes in Shareholders' Equity

For the year ended 31 August 2022	Note	Share capital account £'000	Share premium account £'000	Special distributable reserve £'000	Accumulated losses £'000	Total equity attributable to owners of the Company £'000
Opening balance		2,406	–	229,360	(2,421)	229,345
Loss for the year		–	–	–	(456,353)	(456,353)
Transaction with owners:						
Dividend distribution	12	–	–	(28,320)	–	(28,320)
Share capital issued	10, 11	5,500	607,734	–	–	613,234
Share issue costs	11	–	(12,001)	–	–	(12,001)
Balance at 31 August 2022		**7,906**	**595,733**	**201,040**	**(458,774)**	**345,905**

For the period from 19 August 2020 to 31 August 2021, as restated	Note	Share capital account £'000	Share premium account £'000	Special distributable reserve £'000	Accumulated losses £'000	Total equity attributable to owners of the Company £'000
Loss for the period		–	–	–	(2,421)	(2,421)
Transaction with owners:						
Dividend distribution	12	–	–	(3,993)	–	(3,993)
Share capital issued	10, 11	2,406	238,164	–	–	240,570
Share issue costs	11	–	(4,811)	–	–	(4,811)
Cancellation of share premium	11, 12	–	(233,353)	233,353	–	–
Balance at 31 August 2021		**2,406**	**–**	**229,360**	**(2,421)**	**229,345**

The notes on pages 136 to 144 form part of these financial statements.

Notes to the Company Financial Statements

1. Basis of preparation

Home REIT plc (the "Company") is a closed-ended investment company, incorporated in England and Wales on 19 August 2020 and is registered as a public company limited by shares under the Companies Act 2006 with registered number 12822709. The Company is structured as an externally managed company with a board of non-executive directors (the "Directors" or the "Board"). This set of financial statements has been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Where referred to herein, the Group (the "Group") consists of the Company and its subsidiaries which are listed in Note 25 to the Consolidated Financial Statements.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of disclosure exemptions conferred by FRS 101 and therefore these financial statements do not include:

- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with wholly owned subsidiaries of the Company.

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The Group has reviewed their past accounting policies and practices and, based on new information, the Board has amended several accounting policies and corrected certain amounts presented in the period ended 31 August 2021 Consolidated Financial Statements. To present comparable information using the same accounting policies, the Company has restated its financial statements for 2021. The reasons why and impact of the changes are described more fully in Note 4.

2. Significant accounting judgements and estimates

The preparation of financial statements requires the Directors to make estimates and assumptions that effect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Differences between our estimates and the actual results will be recognised as they occur. Critical accounting estimates and key sources of estimation uncertainty in applying these accounting policies are disclosed in Note 3 to the Consolidated Financial Statements.

Valuation of investment properties

The Company presents its investment property at fair value. Significant assumptions and methods of valuations are consistent with the Group disclosures for which details are given in Note 9 of the Consolidated Financial Statements.

Impairment of investments in and amounts due from subsidiaries

The Company uses the net assets of the investees to support both the investments in and amounts due from subsidiaries. When an impairment of a portion (ie not all) of those balances is considered to have occurred, the Company impairs the investment in subsidiary balance first and then any amounts due from subsidiaries second. In estimating the net assets available for assessing impairment, balances due from other related parties are considered after other impairments have been recorded.

3. Principal accounting policies

The principal accounting policies adopted in the preparation of the Company financial statements are consistent with the Group which are described in Note 2 to the Consolidated Financial Statements. Policies adopted in the preparation of the Company's financial statements that are not included in the Consolidated Financial Statements are given below:

a Impairment of investments in and amounts due from subsidiaries

Investment in subsidiaries and amounts due from subsidiaries are included in the statement of financial position at cost less provision for impairment. The balances are assessed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (the higher of value in use and fair value less costs to sell), the asset is impaired.

Because the net assets of the investees support both the investments in and amounts due from subsidiaries, when an impairment of a portion (i.e. not all) of those balances is considered to have occurred, the Company impairs the investment in subsidiary balance first and then any amounts due from subsidiaries second. In estimating the net assets available for assessing impairment, balances due from other related parties are considered after other impairments have been recorded.

3. Principal accounting policies — continued

b Guarantor

The Company acts as a guarantor to the loan facilities of two of its subsidiaries as described in Note 10 to the Consolidated Financial Statements. At inception, the Company recognises the guarantee at cost and subsequently measures the liability at the higher of:

a. The initial cost of the guarantee, and

b. The expected credit losses of the financial guarantee over the life of the underlying contract.

The Company did not receive any remuneration for the guarantee and does not expect any credit losses related to the guarantee over the life of the underlying contract. Accordingly, the Company has not recognised a liability.

4 Correction of Prior Period Errors

As described more fully in Note 4 to the Consolidated Financial Statements, there have been a number of corrections made to the information originally presented in the 2021 Annual Report and Accounts. Details on those changes which impacted the Company are as follows:

Property condition – unhabitable properties and Seller's Works

Several of the Company's properties were in poor condition at acquisition and the vendor had agreed to improve those properties to an acceptable standard within a specified period as defined in the Sale and Purchase Agreement ("SPA"). At the acquisition date, the Company paid the full purchase price with the expectation that the vendor would complete the required works from the funds paid at acquisition. The vendor was typically given between 6 and 12 months to complete the Seller's Works ("Seller's Works Longstop Date"). The Company had inadequate security and limited recourse against the vendor if the vendor did not complete the Seller's Works, and most of the vendors did not complete the works prior to the agreed SWLD. Amounts paid in respect of Seller's Works were previously included in the cost of properties acquired. The correction to the previous accounting policy has resulted in the reallocation of the estimated value of the Seller's Works from property cost to prepaid Seller's Works, if the property was considered habitable. Where works were subsequently completed on a property, the related prepaid Seller's Works balance was reclassified into Investment Property. Where works had not been initiated before the SWLD, the related prepaid Seller's Works balance was written off to the Statement of Comprehensive Income. If the property was boarded up or otherwise deemed unhabitable, at the time of acquisition, the Directors could not make a reasonable retrospective estimate of the works required and instead recorded the property at cost and revalued the property in line with the external valuation at the following balance sheet date.

Lease inducement payments

As discussed in Note 3 to the Consolidated Financial Statements, the Company did not provide lease inducement consideration to tenants directly. However, the Investment Adviser, Alvarium Home REIT Advisors Ltd ("AHRA") expected the vendors to provide, and they generally did provide, the tenant with cash in the amount of the first year's rent, which was funded through original acquisition payment made by the Company to the vendor as part of the acquisition price. The Directors therefore concluded that the substance of the transactions is such that the lease and the SPA should be accounted for as a single contract as set forth in IFRS 16, paragraph B2.

Accordingly, the Directors allocated an amount equal to twelve months of rent payable to establish either a lease inducement asset or a debtor (for habitable and unhabitable properties respectively) representing the first year of rent in the revised purchase price allocation.

Escrow account

On 18 June 2021, the Company entered into an escrow agreement with Noble Tree Foundation Limited, a Tenant, and Intertrust Trustee 3 (Jersey) Limited whereby an affiliate of Karla Asset Management Limited provided £750,000 to an escrow account in the name of the Company with such funds to be used as approved by two AHRA fund managers, acting without the authority of the Directors. The fund could be accessed by the two tenants, Noble Tree Foundation Limited and Big Help Project, and as approved by the two fund managers. As at 31 August 2021, £375,000 had been distributed with the rest distributed in the 2022 financial year. The financial statements for 2021 did not reflect these transactions and have been restated to account for the revenue and expenses associated with this arrangement.

4. Correction of Prior Period Errors — continued

Impact on profit and loss account and net assets

The changes to the accounting policies resulted in an increase in 2021 loss reported from £2,151,000 to £2,421,000 and a decrease in net assets at 31 August 2021 from £229,615,000 to £229,345,000.

Impact on Statement of Financial Position

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Prepaid Seller's Works Adjustment £'000	Lease Inducement Amortisation £'000	Escrow Account Adjustment £'000	Tenant Receivables Adjustment £'000	31 August 2021, as Restated £'000
Non-current assets							
Investment Property							
Property acquisition in period	8,980	(314)	–	–	–	–	8,666
Lease inducement on unhabitable properties recognised as receivables	–	(224)	–	–	–	–	(224)
Rent straight lining and lease inducement	48	314	–	(14)	–	–	348
Prepaid Seller's Works recognised as receivable	–	–	(434)	–	–	–	(434)
Increase in fair value of investment property	437	–	–	–	–	–	437
Investment property	9,465	(224)	(434)	(14)	–	–	8,793
Investment in subsidiaries	10,390	–	–	–	–	–	10,390
Amounts due from subsidiaries	185,551	–	–	–	–	–	185,551
Total non-current assets	**205,406**	**(224)**	**(434)**	**(14)**	**–**	**–**	**204,734**
Current assets							
Amounts due from subsidiaries	**26,279**	**–**	**–**	**–**	**–**	**–**	**26,279**
Trade and other receivables							
Cash received for unhabitable properties	–	–	–	–	–	197	197
Tenant receivables in accordance with lease agreements	**–**	**–**	**–**	**–**	**–**	**197**	**197**
Rent not recognised because properties were unhabitable	–	–	–	–	–	(197)	(197)
Tenant receivables, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Prepaid expenses	201	–	–	–	–	–	201
Tenant receivables and other financial assets	**201**	**–**	**–**	**–**	**–**	**–**	**201**
Prepaid Seller's Works recognised as receivable	–	–	434	–	–	–	434
Write-off of Seller's Works not initiated or completed	–	–	(434)	–	–	–	(434)
Prepaid Seller's Works	**–**	**–**	**–**	**–**	**–**	**–**	**–**

4. Correction of Prior Period Errors — continued

	31 August 2021, as Previously Reported £'000	Unhabitable Properties Adjustment £'000	Prepaid Seller's Works Adjustment £'000	Lease Inducement Amortisation £'000	Escrow Account Adjustment £'000	Tenant Receivables Adjustment £'000	31 August 2021, as Restated £'000
Lease inducement on unhabitable properties recognised as receivable	–	224	–	–	–	–	224
Cash received for unhabitable properties	–	(197)	–	–	–	–	(197)
Lease inducement receivable for unhabitable properties	**–**	**27**	**–**	**–**	**–**	**–**	**27**
Trade and other receivables	**201**	**27**	**–**	**–**	**–**	**–**	**228**
Restricted cash	–	–	–	–	375	–	375
Cash and cash equivalents	68	–	–	–	–	–	68
Total current assets	**26,548**	**27**	**–**	**–**	**375**	**–**	**26,950**
Total assets	**231,954**	**(197)**	**(434)**	**(14)**	**375**	**–**	**231,684**
Non-current liabilities							
Amounts due to subsidiaries	1,750	–	–	–	–	–	1,750
Total non-current liabilities	**1,750**	**–**	**–**	**–**	**–**	**–**	**1,750**
Current liabilities							
Trade and other payables	589	–	–	–	–	–	589
Total current liabilities	**589**	**–**	**–**	**–**	**–**	**–**	**589**
Total liabilities	**2,339**	**–**	**–**	**–**	**–**	**–**	**2,339**
Net assets	**229,615**	**(197)**	**(434)**	**(14)**	**375**	**–**	**229,345**
Share capital	2,406	–	–	–	–	–	2,406
Special distribution reserve	229,360	–	–	–	–	–	229,360
Accumulates losses	(2,151)	(197)	(434)	(14)	375	–	(2,421)
Capital and reserves attributable to equity holders of the Company	**229,615**	**(197)**	**(434)**	**(14)**	**375**	**–**	**229,345**

5. Investment in subsidiaries

Investment in subsidiaries is included in the statement of financial position at cost less provision for impairment.

	As at 31 August 2022 £'000	As at 31 August 2021 £'000
Balance at beginning of year/period	10,390	–
Additions in the year/period	–	10,390
Impairment of balance	(10,390)	–
Balance at end of year/period	**–**	**10,390**

After considering the recoverability of its investments in subsidiaries, the Company has fully impaired the balance as at 31 August 2022.

A list of the Company's subsidiary undertakings is included in Note 25 to the Consolidated Financial Statements.

6. Investment Property

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Freehold investment property at the beginning year/period	8,793	–
Property acquisitions in the year/period	–	8,980
Reclassification of first year inducement where building is considered as habitable	–	(314)
Reclassification of first year inducement where building is considered as unhabitable	–	(224)
Prepaid Seller's Works recognised as a receivable	–	(434)
Rent straight lining and lease inducement	35	348
Impairment of rent straight lining and lease inducement	(238)	–
(Decrease)/increase in fair value of investment property	(5,143)	437
Fair value at the end of the year/period	**3,447**	**8,793**

At 31 August 2022, the investment properties have been valued by Jones Lang LaSalle Limited ("JLL"), an accredited independent external valuer with relevant and recent experience of valuing residential properties of the type in which the Group invests. The investment properties were valued at 31 August 2021 by Knight Frank, an accredited independent external valuer with relevant and recent experience of valuing residential properties of the type in which the Group invests. Knight Frank initially were also engaged to value the investment properties at 31 August 2022 but resigned on 5 May 2023. That valuation considered all tenants to be financially viable and prepared the valuation of each asset on the investment approach. Other than as described below, the Directors have not adjusted the valuation as of 31 August 2021 because the Directors believe it is representative of the market at that time. The August 2021 Knight Frank valuation of £9,465,000 has been reduced for the amounts allocated to lease inducement on unhabitable properties and prepaid Seller's Works both recorded as receivables and adjusted for the amortisation of the lease inducement on habitable properties recognised as an expense, as follows:

	As at 31 August 2021, as restated £'000
Investment property balance, as restated	8,793
Amounts allocated to:	
Lease incentive debtor for unhabitable buildings	224
Prepaid Seller's Works	434
Lease incentive amortisation	14
Investment property as per the Knight Frank LLP valuation, as previously reported	**9,465**

Detailed information about the valuation of investment property is included in Note 9 to the Consolidated Financial Statements.

7. Trade and other receivables

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Tenant receivables in accordance with lease agreements	148	197
Rent not recognised because properties were unhabitable	(27)	(197)
Tenant receivables, net	**121**	**–**
Prepaid expenses	40	201
Tenant receivables and other financial assets	**161**	**201**
Lease inducement on unhabitable properties	–	27
Trade and other receivables	**161**	**228**
Amounts due from subsidiaries repayable on demand	47,675	26,279
Provision for doubtful debts	(47,662)	–
Amounts due from subsidiaries (net of provision)	**13**	**26,279**
Trade and other receivables – current	**174**	**26,507**
Amounts due from subsidiaries – non-current	713,909	185,551
Provision for doubtful debts	(384,410)	–
Amounts due from subsidiaries (net of provision) – non current	**329,499**	**185,551**
Trade and other receivables – non-current	**329,499**	**185,551**
Total trade and other receivables	**329,673**	**212,058**

All current trade and other receivables are due within one year.

Amounts due from subsidiaries are interest free and repayable on demand. The Company has classified the outstanding balances in line with the timing of the expected recovery of these amounts.

After considering the recoverability of amounts due from subsidiaries, the Company has recognised credit losses in the amount of £432,072,000 as at 31 August 2022 (as at 31 August 2021: none).

The Directors consider that the remaining carrying amount of trade and other receivables approximates fair value.

8. Cash and cash equivalents

	As at 31 August 2022 £'000	As at 31 August 2021, as restated £'000
Restricted cash (see Note 4)	–	375
Cash held at bank	16,581	68
Total cash and cash equivalents	**16,581**	**443**

9. Trade and other payables

	As at 31 August 2022 £'000	As at 31 August 2021, £'000
Amounts due to subsidiaries	–	1,750
Non-current liabilities	**–**	**1,750**

	As at 31 August 2022 £'000	As at 31 August 2021, £'000
Trade and other payables	3,796	589
Current liabilities	**3,796**	**589**

All trade and other payables are due within one year. The Directors consider that the carrying amount of trade and other payables approximates fair value.

10. Share capital

Ordinary Shares of £0.01 each	As at 31 August 2022 Number	As at 31 August 2021 Number
At the beginning of the year/period	240,570,465	–
Issued on incorporation	–	1
Further Shares issued during the year/period	550,000,000	240,570,464
Issued and fully paid at year/period end	790,570,465	240,570,465

Detailed information about the share capital of the Company is included in Note 15 to the Consolidated Financial Statements.

11. Share premium

	As at 31 August 2022 £'000	As at 31 August 2021 £'000
Balance at the beginning of year/period	–	–
Share premium arising on equity issuance	607,734	238,164
Share issue costs	(12,001)	(4,811)
Transfer to special distributable reserve (Note 12)	–	(233,353)
Balance at the end of year/period	**595,733**	**–**

The share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

12. Special distributable reserve

	As at 31 August 2022 £'000	As at 31 August 2021 £'000
Balance at the beginning of year/period	229,360	–
Transfer from share premium (Note 11)	–	233,353
Dividend distribution	(28,320)	(3,993)
Balance at the end of year/period	**201,040**	**229,360**

The special distributable reserve represents the cancelled share premium (for the first share issuance) less dividends paid from this reserve. This is a distributable reserve.

13. Dividends

On 15 September 2021, the Company declared an ordinary dividend of 0.84 pence per Share, which was paid on 22 October 2021 to shareholders on the register as at 24 September 2021. This dividend was paid as a property income distribution.

On 27 January 2022, the Company declared a dividend of 1.37 pence per Share, which was paid on 25 February 2022 to shareholders on the register as at 4 February 2022. 0.10 pence of this dividend was paid as a non-property income distribution. The remaining balance of 1.27 pence was paid as property income distribution.

On 5 May 2022, the Company declared a dividend of 1.37 pence per Share, which was paid on 10 June 2022 to shareholders on the register as at 13 May 2022. This dividend was paid as a property income distribution.

On 4 August 2022, the Company declared a dividend of 1.38 pence per Share, which was paid on 9 September 2022 to shareholders on the register as at 12 August 2022. This dividend was paid as a property income distribution.

The Board approved these distributions based on financial statements and forecasts provided by AHRA and to ensure it distributed Property Income, as defined, in order to comply with REIT regulations. In addition, the Board considered that it had the substantial Special Distributable Reserve (Note 12) which could cover any imprecision in AHRA's estimates. However, had the full, accurate information regarding the material corrections made to these financial statements been provided to the Board at the time of approving the distributions, the Board would not have approved the distributions.

14. Guarantee of subsidiary debt

As described in Note 10 to the Consolidated Financial Statements, the Company provided a guarantee to Scottish Widows Limited on two fixed term loan facilities where wholly-owned subsidiaries are the borrowers. Various breaches have occurred under those agreements. Since an initial waiver letter dated 30 January 2023 for an initial waiver period waiving certain breaches, new waiver letters have been issued on the expiry of each previous waiver period. The current waiver letter is scheduled to expire on 31 October 2024. The current waiver letter relates to various matters including financial covenants, an adverse change in the position of the Company and its subsidiaries, a failure to deliver audited accounts and other information, the suspension of the shares of the Company on the London Stock Exchange and the tax status of the Company. In addition, Scottish Widows Limited has indicated that they expect the Group to undertake all efforts to repay both facilities by 31 December 2024. Despite the breaches, the Company does not believe that it will be called to fund any credit losses and therefore has not established a liability for the guarantee.

15. Contingent liabilities

Harcus Parker Limited ("Harcus Parker"), a law firm specialising in claimant group actions, soliciting investors on a fully contingent basis ('no win no fee') to join together in bringing claims against the following parties:

- the Company
- the Directors Defendants (those directors who were in office when the Shares were suspended);
- AHRA;
- The Company's former AIFM, Alvarium Fund Managers (UK) Limited ("Alvarium FM"); and
- AlTi RE, the former parent of Alvarium FM and AHRA by way of an appointed representative agreement.

15. Contingent liabilities — continued

As of the date of this document, there has been no claim issued by Harcus Parker. Harcus Parker has sent a pre-action letter of claim (enclosing draft particulars of claim) to the Company and Director Defendants (along with the other defendant parties listed above) on behalf of a number of shareholders in the Company, which alleges that the Company and the Director Defendants provided information to investors which was false, untrue and/or misleading and as a result shareholders suffered losses. The Board is not currently able to conclude whether or when a formal claim may be issued and, if a claim is issued, what the quantum of such a claim may be. The Board has stated publicly that both the Company and the Director Defendants intend vigorously to defend the threatened claims. The Company and the Director Defendants sent a lengthy and detailed letter of response to Harcus Parker. On 5 March 2024, the Company announced that it intends to bring legal proceedings against those it considers are responsible for wrongdoing. To that end, the Company sent pre-action letters of claim to Alvarium FM and AITi RE on 12 April 2024, and AHRA on 29 May 2024.

Two of the Company's subsidiaries issued statutory demands to a tenant in August 2024. In response, the tenant disputed the statutory demands and subsequently filed a claim in court against 8 different parties, including the Company and the two subsidiaries. The other defendants include other companies and individuals, one of which is a former director of the subsidiaries. The claim has been issued by Court but the tenant has not yet served the proceedings on the Company and subsidiaries. The claim alleges damages for conspiracy, misrepresentation, rescission of the leases and interest and court costs. The tenant has not provided particulars of its losses but claims to have suffered a primary loss (from all parties) of approximately £1 million. One of the remedies being sought by the tenant is rescission of the leases, which would nullify the effects of the leases from inception. Further, the Directors believe that if any damages have been incurred by the tenant, they are lower than the rent owed to the group (and which are supported by payments it is receiving from underlying occupants) However, the Directors cannot estimate what if any amounts would be payable until the particulars of the losses are disclosed in detail. The Board intend to vigorously defend their position if and when the claim is issued by the tenant.

On 12 February 2024, the Company was notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023. The Directors are not able to assess or quantify what if any action may be taken.

16. Related party transactions

Investment Adviser

AHRA was appointed as the investment adviser to the Group by entering into the Investment Advisory Agreement with the Group. Under this agreement, the Investment Adviser advised the Group in relation to the management, investment and reinvestment of the assets of the Group. As at 31 August 2022, AHRA was a subsidiary of Alvarium Investments Limited, the ultimate parent company of the AIFM and the Broker to the Group. On 4 January 2023, the Company announced that Alvarium RE Limited sold its wholly-owned subsidiary, Alvarium Home REIT Advisors Limited, to its management in exchange for a promissory note.

The investment advisory fees shall be an amount calculated in arrears in respect of each month, in each case based upon the adjusted net asset value of the Group on the following basis:

a One-twelfth of 0.85%, per calendar month of net asset value up to and including £500 million;

b One-twelfth of 0.75% per calendar month of net asset value above £500 million up to and including £750 million; and

c One-twelfth of 0.65% per calendar month of net asset value above £750 million.

During the year ending 31 August 2022, the Company incurred fees of £5,322,000 (2021: £1,828,000). At 31 August 2022 an amount of £582,000 was unpaid (2021: £175,000).

Initially, the Investment Advisory Agreement could be terminated on 12 months' written notice, such notice to expire on or at any time after the fifth anniversary of 12 October 2020. Additionally, the Investment Advisory Agreement could be terminated with immediate effect on the occurrence of certain events, including insolvency or in the event of a material and continuing breach. On 15 March 2023, the Company and AHRA agreed to terminate the Investment Advisory agreement with effect from 30 June 2023.

On 22 May 2023, AEW UK Investment Management LLP ("AEW") was appointed as Property Adviser for the transition period and subsequently on 21 August 2023, on expiry of the transition period as AIFM and Investment Manager (see AIFM section below below). The transition period lasts from the date of appointment until the Commencement of Phase 1. Phase 1 continues for two years from the date of commencement, at which time Phase 2 would have commenced. Phase 1 commenced when the following occurred:

1. The adoption of the Revised Investment Policy,
2. The old Investment Manager and Investment Advisor ceased to act for the Group,
3. FCA approval of AEW as AIFM for the Company.

AEW is paid an annual fee in Phase 1 of the agreement:

16. Related party transactions — continued

1. A fixed fee of £3,000,000 from the commencement of the Transition Period and as increased at each successive anniversary by the lower of CPI, RPI and 5%;
2. A variable fee for disposal of investments of £422 per bed, as defined; and
3. A variable fee of 10% of rent collected by the Group from its investments.

The maximum amount payable in any year under this agreement is £5,000,000 (which is increased in year 2 to the extent that total fees in year 1 fall below £5,000,000.) In Phase 2, the Company shall pay a fee of 0.75% of NAV, subject to a minimum annual fee of £3,000,000, which increases annually at the lower of CPI, RPI or 5% (from the commencement of the of the Transition Period.)

AIFM

Under the terms of the Investment Management Agreement dated 22 September 2020, Alvarium Fund Managers (UK) Limited was appointed as the Alternative Investment Fund Manager (AIFM) to the Company. The AIFM acts as investment manager with responsibility for the management of the assets of the Company in accordance with the investment policy of the Company and the policies and directions of the Board and is regulated in the conduct of investment business by the FCA. Alvarium Fund Managers (UK) Limited is a subsidiary of Alvarium Investments Limited, the ultimate parent company of the Broker and the Investment Adviser to the Company. Under the Investment Management Agreement, the AIFM received a fee of £40,000 per annum. No performance fee was payable to the AIFM as at 31 August 2022 and 2021. The AIFM agreement with Alvarium Fund Managers (UK) Limited was terminated on 21 August 2023. On the same day, AEW UK Investment Management LLP was appointed as AIFM. Compensation for its role as AIFM is a component of the Investment Advisory fee discussed above.

Corporate Broker

Alvarium Securities Limited ("Alvarium Securities") was appointed on 22 September 2020 to provide corporate broking services to the Company. Alvarium Securities is a subsidiary of Alvarium Investments Limited, the ultimate parent company of the AIFM and the Investment Adviser. Alvarium Securities was paid an annual retainer fee in the amount of £50,000 by the Company. During the year ending 31 August 2022, the Company incurred additional fees of £10,413,000 (2021: £3,878,000) from Alvarium Securities in relation to equity raises in September 2021 and May 2022. In 2021 these fees were in relation to the initial public offering and subsequent admission to the London Stock Exchange. These costs have been treated as a reduction in equity as share issue costs. On 8 February 2023, Alvarium Securities resigned.

On 1 November 2022, the Company announced that it had appointed Jefferies International Limited as Joint Corporate Broker in exchange for an annual retainer of £50,000. On 1 February 2023, the agreement was terminated.

On 5 July 2023, the Company appointed Liberum Capital Limited as corporate broker and Capital Markets Advisor ("CMA"). Liberum are paid an annual corporate broking fee of £150,000 until the one year anniversary of the Company being readmitted to trading on the main market of the London Stock Exchange ("readmission"). After that date, Liberum will be paid an annual retainer of £100,000, with additional fees of up to £50,000 depending on certain criteria. Liberum was initially due to be paid a CMA fee of £200,000 until 31 December 2023. When Readmission did not occur by 31 December 2023, the annual retainer was increased to £240,000.

Directors

Directors are entitled to receive a fee from the Group at such rate as may be determined in accordance with the Articles. The initial fees are £36,000 for each Director and £50,000 for the Chair per annum. The Chair of the Audit Committee receives an additional fee of £5,000 per annum. During the year ended 31 August 2022, Directors' fees of £176,000 (31 August 2021: £150,000) were paid, of which none was payable at the 31 August 2022 and 2021.

As at 31 August 2022, the Directors had the following shareholdings in the Group all of which are beneficially owned.

	Number of Shares held	% of Shares in issue
Lynne Fennah	55,000	0.007
Simon Moore	56,000	0.007
Marlene Wood	30,000	0.004
Peter Cardwell	10,000	0.001

The above Directors were appointed on 3 September 2020. On incorporation on 19 August 2020 William Saunders and Alan Sauvain were appointed as Directors, and subsequently resigned as Directors on 3 September 2020.

17. Post balance sheet events

Post balance sheet events of the Company are included in Note 26 to the Consolidated Financial Statements.

18. Ultimate controlling party

There is no ultimate controlling party of the Company.

Additional information

Appendix 1

Key Regulatory News Service Announcements 1 September 2021 to 10 October 2024

Date	Title	Key
15-Sep-21	**Interim Dividend Declaration** 0.84 pence per Ordinary Share in respect of the period from 1 May 2021 to 31 August 2021. From 1 September 2021, the Company is targeting an annual dividend of 5.5 pence per Ordinary Share.	SA
23-Sep-21	**Results of Oversubscribed Initial Issue** Gross proceeds of £350m through an Initial Issue of New Ordinary Shares at an issue price of 109 pence.	SA
18-Oct-21	**£166.4m of acquisitions** Acquired 23 portfolios comprising 366 properties for an aggregate purchase price* of £166.4m.	PROP
11-Nov-21	**Acquisitions** Acquired 19 portfolios comprising 173 properties for an aggregate purchase price* of £62.6m.	PROP
02-Dec-21	**New 15-year term £130m debt facility agreed** New facility secured on a 15-year term with a low fixed all-in rate of 2.53% per annum.	F
17-Dec-21	**Further £60m deployed following equity issue – Acquisitions** Acquired 20 portfolios comprising 89 properties for an aggregate purchase price* of £60.2m.	PROP
25-Jan-22	**Net proceeds of £350m Equity Issue fully deployed – Acquisitions** Acquired 240 additional properties for an aggregate purchase price* of £55.1m.	PROP
27-Jan-22	**Dividend declaration** Interim dividend of 1.37 pence per Ordinary Share.	SA
10-Mar-22	**Investment Adviser Update** Jamie Beale, part of AHRA's management team to step down for personal reasons. Gareth Jones, who has acted as Fund Manager and CFO, remains and will continue to be supported by the wider team at AHRA, including Charlotte Fletcher as Head of Transactions.	IA
05-May-22	**Home REIT acquires 156 properties for £42.4m** Acquired 156 properties for an aggregate purchase price* of £42.4m.	PROP
05-May-22	**Interim Dividend Declaration** Interim dividend of 1.37 pence per Ordinary Share.	SA
27-May-22	**Result of Oversubscribed Placing** Gross proceeds of £263m through an issue of New Ordinary Shares at an issue price of 115 pence.	SA
04-Jul-22	**Home REIT adds 998 beds to portfolio for £92.3m** Acquired 183 properties for an aggregate purchase price* of £84.9m. In addition, 33 properties recently acquired for an aggregate purchase price* of £7.4m.	PROP
04-Aug-22	**Interim Dividend Declaration** Interim dividend of 1.38 pence per Ordinary Share.	SA
05-Aug-22	**£85.1m of acquisitions and Investment Adviser update** Acquired 199 properties for an aggregate purchase price of £85.1m. Alex Baker has joined Gareth Jones and Charlotte Fletcher within the senior management team at AHRA.	PROP, IA
13-Sep-22	**Home REIT acquires 158 properties for £57.4m** Acquired 158 properties for an aggregate purchase price of £57.4m.	PROP

Date	Title	Key
01-Nov-22	**Trading update** Circle Housing, a tenant was placed into voluntary administration in July 2022. AHRA Update: appointed James Snape as CFO; Gareth Jones stepping back from his role as fund manager whilst he takes a period of leave for health reasons. Charlotte Fletcher remains as co-fund manager whilst Alex Baker has been promoted from assistant fund manager to co-fund manager.	T, IA
23-Nov-22	**Response to inaccurate short selling report**	RTP
25-Nov-22	**Full year results delay** The Company is required to delay publication of its Results while BDO completes an additional verification exercise.	RES
30-Nov-22	**Full response to short selling report**	RTP
12-Dec-22	**Dividend announcement and further update** Interim dividend of 1.38 pence per Ordinary Share declared and takes the total dividends paid and declared in respect of the financial year ended 31 August 2022 to 5.5 pence per Ordinary Share. The Company's auditor BDO is carrying out enhanced audit procedures.	SA, RES
03-Jan-23	**Temporary share suspension** The listing of the Company's ordinary shares has been temporarily suspended with effect from 7.30 a.m. on 3 January 2023.	SN
04-Jan-23	**Statement re Alvarium Home REIT Advisors Limited** Alvarium RE Limited (now called AlTi RE Limited) entered into an agreement to sell AHRA to a newly formed entity owned by the management of AHRA funded by way of a promissory note.	IA
12-Jan-23	**Response to media reports** The Company has seen a general deterioration in its rent collection position and neither Big Help Group nor Noble Tree Foundation has paid rent contractually due for the quarter to 30 November 2022.	T
19-Jan-23	**External Property Manager** AHRA has entered into an agreement with Simpact to accelerate and further support AHRA's ongoing asset management and monitoring programme.	IA
25-Jan-23	**Response to media reports – Tenant update** Lotus Sanctuary has not paid any rent for the quarter to 30 November 2022.	T
16-Feb-23	**Update, Review of Strategic Options, Possible Sale** Alvarium Securities resigned as broker and the agreement with Jefferies was terminated. Smith Square Partners LLP appointed as Financial Advisers on 13 February 2023. For the quarter ending November 2022, only 23% of rent has been collected. The Board is considering all strategic options including the possible sale of the Company. The Company received an unsolicited approach from Bluestar Group Limited. A&M instructed to investigate allegations of wrongdoing in early January 2023.	SP, SN, IA
06-Mar-23	**Tenant update** Gen Liv UK CIC and Lotus Sanctuary CIC, tenants making up 5.7% and 12.5% respectively of the Company's annual rent roll, have entered into a creditors' voluntary liquidation ("CVL").	T
15-Mar-23	**Update on Review of Strategic Options** The Board is considering all its options for the ongoing management of the Company's assets, and, consequently, is initiating a process to consider candidates to act as investment adviser. The Board continues to explore all options, including an orderly realisation of some or all of its assets and/or a sale of the Company to maximise value for shareholders.	IA, SN

Date	Title	Key
16-Mar-23	**Extension of PUSU deadline** The Takeover Panel has consented to an extension to the deadline by which Bluestar is required either to announce a firm intention to make an offer or announce that it does not intend to make an offer.	SN
05-Apr-23	**Further Update on Review of Strategic Options** The Board continues to explore all available options, and is giving particular consideration to the potential sale in the near-term of a limited number of properties. The Group has agreed to repay £30m of debt. The Lender has also provided the Group with access to additional funds for general working capital purposes. The Board has recently received an initial draft of A&M's report on its investigation findings.	IA, SN, F
13-Apr-23	**Further extension of PUSU deadline** The Takeover Panel has consented to an extension.	SN
11-May-23	**Response to announcement by Bluestar** The Board believes that progressing Bluestar's proposal at this time is unlikely to maximise value for shareholders. The Company is now no longer in an offer period under the Takeover Code.	SN
23-May-23	**Appointment of AEW** The Board has entered into an agreement with AEW under which, effective immediately, AEW will act as the Company's Property Adviser and will become the Investment Manager and AIFM to the Company.	IA
30-May-23	**Update on Internal Investigation** A&M has delivered to the Company a detailed report ("A&M Report"). The Company reserves all of its rights in respect of the matters referred to in the A&M Report and does not wish to prejudice its position in respect of any further action which may follow. Accordingly, and mindful of its obligations, there is a limit on the information that the Company feels that it is appropriate to disclose publicly. Key findings: • Arrangements for the refurbishment of properties were not brought to the Board's attention by the Investment Adviser. • Settlement of rent arrears and arrangements with tenants were not brought to the Board's attention by the Investment Adviser. • Ongoing monitoring of tenants was limited by the Investment Adviser. • Information provided to The Good Economy by the Investment Adviser was inaccurate	IA
28-Jul-23	**Notice of General Meeting** Circular published containing details of proposed amendments to the Company's Original Investment Policy. The Company has appointed JLL as its new property valuer.	SN, INV, SP
02-Aug-23	**Tenant update** Redemption Project CIC, a tenant making up 11% of rent demanded in June, has entered into a CVL. Serenity Support CIC, a tenant making up 1% of rent demanded in June, has also entered into a CVL.	T
04-Aug-23	**Property Sales** Exchanged on the sale of 40 properties for gross proceeds of £4.8m.	PROP
21-Aug-23	**Result of General Meeting** Shareholders approved the Amended Investment Policy. AEW has been appointed as the Company's AIFM and Investment Manager with immediate effect.	INV, IA

Date	Title	Key
23-Aug-23	**Transfer of sub-leases** 100 leases of properties in the One (Housing & Support) CIC portfolio were surrendered, with the Company assuming direct leases with the existing sub-tenant, Mears Limited.	T
04-Sep-23	**Monthly Update** JLL to undertake valuations as at 31 August 2022, 28 February 2023 and 31 August 2023. Vibrant Energy Matters appointed to inspect all 2,473 properties. Revised accounting policies for lease income recognition and acquisition accounting are being finalised. The Board has initiated a formal and phased succession process.	SP, RES, D
07-Sep-23	**Tenant update** Supportive Homes CIC, a tenant representing 11.3% of rent demanded in August 2023, has entered into a CVL.	T
22-Sep-23	**Surrender of leases and transfer of sub-leases** Redemption has agreed to surrender its leases on 146 properties with Mears Limited becoming a direct tenant for 77 properties the remaining lease term. For the remaining 69 properties, the Company has agreed flexible leases with the Community Accommodation Group and appointed Myshon Limited to manage the properties.	T
29-Sep-23	**Property Sales** Exchanged on the sale of 137 properties for gross proceeds of £22.8m.	PROP
02-Oct-23	**Monthly Update** Repayment of £3.8m of debt.	F
06-Nov-23	**Monthly Update** Exchanged on the sale of a further 14 properties for £9.0m on 2 November 2023.	PROP
09-Nov-23	**Property Sales** Exchanged on the sale of 153 properties for gross proceeds of £24.3m.	PROP
28-Nov-23	**Surrender of leases** Agreement with Eden Safe for the surrender of its leases on 38 properties. The Company will be appointing Centrick as Property Manager to these properties.	T
05-Dec-23	**Monthly Update** Marigold Housing, which leases 15 properties representing 0.9% of rent demanded in November, entered into liquidation on 15 November 2023. Repayment of £17.9m of debt. The Company and the Lender have agreed an additional fee of 5.00% per annum charged on the aggregate outstanding loan balances on a daily basis from 30 November 2023. The additional fee is payable at the earlier of 28 June 2024 or on full repayment of the loans.	T, F
20-Dec-23	**Property Sales** Over last five days exchanged on the sale of 80 properties for gross proceeds of £16.2m.	PROP
20-Dec-23	**Property Valuation and Portfolio Update** JLL has issued draft valuation report as at 31 August 2023, 28 February 2023 and 31 August 2022. The reduction in the property valuation is principally a result of a re-assessment of the quality of the assets and of the covenant strength of the tenants.	PROP
08-Jan-24	**Monthly Update** Repayment of £25.6m of debt.	F

Date	Title	Key
18-Jan-24	**Directorate Change** Appointment of Michael O'Donnell to succeed Lynne Fennah as Independent Non-Executive Chair with immediate effect with Lynne remaining on the Board to provide continuity. The remaining members of the Board understand that shareholders would like to see a refresh of the Board and so they will step down on publication on the Company's financial results.	D
24-Jan-24	**Property Sales** Exchanged on the sale of 103 properties for gross proceeds of £6.6m.	PROP
05-Feb-24	**Monthly Update** Repayment of £9.9m of debt.	F
13-Feb-24	**Notification of Investigation by the FCA** The Company has been notified by the FCA of its commencement of an investigation into the Company, covering the period from 22 September 2020 to 3 January 2023.	L
15-Feb-24	**Property Sales** Exchanged on the sale of 117 properties for gross proceeds of £5.6m.	PROP
05-Mar-24	**Monthly Update** Repayment of £13.7m of debt. The Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing.	F, L
28-Mar-24	**Property Sales** Exchanged on the sale of 63 properties for gross proceeds of £6.1m.	PROP
02-Apr-24	**Directorate Change** Appointment of Peter Williams as Senior Independent Non-Executive Director.	D
04-Apr-24	**Monthly Update** Repayment of £5.1m of debt.	F
18-Apr-24	**Update on Potential Litigation** The Company has recently issued a comprehensive response to a pre-action letter of claim received from Harcus Parker, on behalf of certain shareholders. The Company recently issued pre-action letters of claim to Alvarium FM and AlTi RE**.	L, IA
19-Apr-24	**Property Sales** Exchanged on the sale of 65 properties for gross proceeds of £15.9m.	PROP
07-May-24	**Monthly Update** Repayment of £3.9m of debt.	F
10-May-24	**Property Sales** Exchanged on the sale of 76 properties for gross proceeds of £14.6m.	PROP
29-May-24	**Agreement Secured For Surrender Of Leases** Agreement with Big Help for the surrender of its leases on over 600 properties.	T
04-Jun-24	**Tenant Update** Noble Tree Foundation Limited ("Noble Tree") a tenant of 143 properties and representing c.7% of rent demanded in April, has entered into administration.	T
05-Jun-24	**Monthly Update** Repayment of £8.3m of debt. The Company has now issued a pre-action letter of claim to AHRA.	F IA
07-Jun-24	**Directorate Change** Appointment of Rod Day as Independent Non-Executive Director. Rod will in due course Chair the Audit Committee.	D

Date	Title	Key
17-Jun-24	**Update on Re-financing** The Board has concluded that it will not be able to secure a re-financing of the existing facility with Scottish Widows, on terms that it could recommend to shareholders, despite extensive and advanced discussions with a potential lender.	F
21-Jun-24	**Property Sales** Exchanged on the sale of 133 properties for gross proceeds of £11.36m.	PROP
28-Jun-24	**Publication of Accounts** Further delay to the publication of Annual & Interim Reports now expected for August 2024.	RES
03-Jul-24	**Monthly update** Repayment of £17.1m of debt The existing lender has revised the terms of the additional fee charged on the outstanding loan amount and the 5% fee will increase to 7% from 1 July 2024 until the full repayment of the loan. The Lender expects to be fully repaid no later than 31 December 2024.	F
16-Jul-24	**Proposed managed wind-down strategy** The Company announced the proposed adoption of a managed wind-down strategy pursuant to which the assets of the Company would be sold with the objectives of optimising remaining shareholder value and repaying the Company's loan balance.	INV
02-Aug-24	**Property Sales** Exchanged on the sale of 226 properties for gross proceeds of £26.5m.	PROP
05-Aug-24	**Monthly Update** Repayment of £8.5m of debt. Lynne Fennah has notified the Company of her intention to step down from the Board on the publication of the 2023 financial results, but will continue to assist the Company, when necessary, on historic legal and FCA matters.	F, D
08-Aug-24	**Tenant Update** One (Housing & Support) CIC, a tenant of 110 properties and representing c.7% of properties as at 31 July 2024, has entered into administration.	T
14-Aug-24	**Agreement Secured For Surrender Of Leases** Agreement with Mansit Housing for the surrender of its leases on 68 properties.	T
23-Aug-24	**Notice of General Meeting** Circular published containing details of proposed amendments to the Company's Amended Investment Policy.	SN, INV
30-Aug-24	**Property Sales** Exchanged on the sale of 101 properties for gross proceeds of £18.5m.	PROP
05-Sep-24	**Monthly Update** Repayment of £12.2m of debt.	F
16-Sep-24	**Result of General Meeting** Shareholders approved the ordinary resolution for the Managed Wind-Down strategy.	SN, INV
30-Sep-24	**Property Sales** Exchanged on the sale of 200 properties for gross proceeds of £36.9m.	PROP

* Purchase price including acquisition costs
** Correction: the RNS announcement dated 18 April 2024 referred to AITi RE Limited as the Company's former investment adviser's "appointed representative" instead of "principal".

Key:

D	Directors
F	Financing Update
IA	Investment Adviser/ AIFM/Investment Manager
INV	Investment Policy
L	Potential Litigation/FCA Investigation
PROP	Property – Acquisition, Disposal, Valuation
RES	Results and trading updates
RTP	Response to Third Party Reports
SA	Shareholder Activity – Dividend, Share Issuance
SN	Shareholder Notice – Annual General Meeting. General Meeting
SP	Service Provider
T	Tenant Update

Appendix 2

Governance and Internal Control

Overview of the Company

The Company is an externally managed real estate investment trust that has no employees, only non-executive directors. The non-executive Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the Company's business, strategy and development. In order to fulfil these obligations, the Board appointed AEW as the Investment Manager and AIFM to provide investment management services.

The Directors have contractually delegated the management of the investment portfolio, the registration services, administration services and other services to third party service providers and reliance is therefore placed on the internal controls of those service providers. Although the Company's executive management function is outsourced, it remains the responsibility of the Board to:

i. assess whether the outsourced functions are being performed adequately;

ii. ensure that the Company has adequate resources; and

iii. establish procedures to monitor the performance of third parties performing the outsourced functions. The Board ensures that there are clear financial reporting lines and accountability, with segregation of duties.

Corporate Governance

The Board is ultimately responsible for the reviewing the effectiveness of the Company's overall internal control arrangements and processes. The Board is responsible for the ongoing process for identifying, carrying out a robust assessment of, and managing and mitigating the principal risks faced by the Company.

The principal documentation for the Governance and Internal Control is the Financial Position and Prospects Procedures ("FPPP") memorandum. The FPPP details procedures for the Directors to make proper judgements on an ongoing basis as to the financial position and prospects of the Company.

The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's investment objectives. Such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

The internal financial control systems aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are taken, reports are published and the assets of the Company are safeguarded.

The key procedures include review of management accounts, monitoring of performance of the Company and AEW at quarterly Board meetings, segregation of the administrative function from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures.

The Board meets at a minimum quarterly and more often if required. Currently the Board holds monthly review meetings with AEW. Quarterly (and currently monthly) review meetings follow standing agendas with other matters considered appropriate from time to time.

Board Responsibility

The Board has adopted a formal schedule of matters reserved for decision by the Board, a copy of which is available on the Company's website. These matters include:

i. responsibility for the determination of the Company's investment objective and policy including any investment restrictions (subject to any necessary shareholder approvals);

ii. overall responsibility for the Group's activities, including the review of investment activity, gearing, performance and supervision of AEW and other key service providers;

iii. approval of Annual and Half-Yearly Reports and Financial Statements and accounting policies, prospectuses, circulars and other shareholder communications;

iv. raising new capital and approval of financing facilities;

v. approval of the Company's dividend policy and approval of dividends;

vi. approval of the NAV of the Group;

vii. Board appointments and removals;

viii. appointment and removal of the Investment Manager, AIFM, Investment Adviser, Auditor and the Company's other key service providers;

ix. approval of material contracts entered into, varied or terminated by the Company;

x. corporate governance, risk management framework and internal control; and

xi. compliance with tax and other regulations.

The Amended Investment Policy details the parameters for acquisition and disposal of investments to be undertaken by AEW. Any investment transactions to be undertaken outside these parameters and material contracts require Board approval. Acquisitions are no longer permitted under the New Investment Policy.

Internal Control Assessment Process

Reviews of internal controls are undertaken regularly in the context of the Company's overall investment objective. The Board has categorised risk management controls under the following key headings: investment strategy and operations; real estate sector; risks relating to Shares; engagements with third party service providers; taxation; accounting, operational and financial reporting; governance and regulatory compliance; and emerging risks including climate risk. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in light of the following factors:

i. the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;

ii. the threat of such risks becoming reality;

iii. the Company's ability to reduce the incidence and impact of risk on its performance; and

iv. the cost to the Company and benefits related to the review of risk and associated controls of the Company.

A risk matrix is in place against which the risks identified and the controls to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. This risk register is reviewed at least every six months.

Internal Audit Consideration

The Board keeps the need for an internal audit function under periodic review. All key service providers report at least annually regarding their internal controls including provision of their ISAE 3402, or equivalent reports. The Board has considered the cost-benefit of engaging independent review of key service providers and concluded the existing system of monitoring and reporting by third-party service providers remains appropriate.

Review of Governance and Internal Control

The Board has considered its risk management framework, internal control systems, procedures and processes. The FPPP was updated in October 2023 with minor amendments to reflect the appointment of the new Investment Manager and AIFM and the Amended Investment Policy, further amendments were made in September 2024 including details of the finalised accounting policies, new Board members and update of the risk register for the New Investment Policy.

The Board and the Audit Committee, has undertaken a robust assessment and review of the emerging and principal risks facing the Company and the Group, together with a review of any new risks which may have arisen, including those that would threaten its business model, future performance, solvency or liquidity. The risk register has and continues to be regularly updated (most recently in October 2024) and was substantially amended due to the increased risk and activities of the Group during the Stabilisation Period and subsequently the revised risks following shareholder approval of the Managed Wind-Down.

Due to information that came to light post period end which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM during the period, together with low rent collection and further evidence of material information being withheld from the Board, the Board has considered its risk management framework, internal control systems, procedures and processes. As a result of that significant and material information, the following amendments of the risk management framework and internal controls systems have been made:

- Rigorous selection process for the appointment of a new Investment Manager and AIFM;
- Internal inspection of properties by Vibrant, JLL and other third parties to ascertain condition;
- Provision of a contact address for the Chair on the Group's website and request for key service providers to provide relevant employees contact details of the Chair to raise concerns, with the Group's whistleblowing policy updated accordingly;
- Health & Safety consideration with AEW having established a Health & Safety Committee which regularly reports to the Board. Health & safety is a standard item on the Board agenda's recognising the new leasing model such that leases are no longer limited FRI leases and the Group having leases (ASTs) with occupiers during the Stabilisation Period and the Managed Wind-Down;
- Board approval of a revised expense payment policy; and
- a 13 week cashflow is currently maintained and updated regularly by AEW as the Directors seek to stabilise the financial position of the Group during the Stabilisation Period and the Managed Wind-Down.

Investment Manager

The Investment Manager is appointed to act as AIFM of the Company with responsibility to manage the assets of the Company initially in accordance with the Amended Investment Policy of the Company and subject to the overall policies and directions of the Board. From 16 September 2024, the New Investment Policy applies.

AEW's key responsibilities include the following:

i. providing AIFM management functions including portfolio management and risk management services;

ii. managing the investment and re-investment of the assets of the Group on a discretionary basis in accordance with the Amended Investment Policy/ New Investment Policy and investment restrictions and with a view to achieving the investment objective of the Company;

iii. managing the borrowings and gearing in accordance with policies and guidelines and managing working capital and liquidity within the Group's investment portfolio;

iv. monitoring the performance of the administrator, the valuer and the depositary;

v. seeking and evaluating potential investments by the Group, including carrying out financial evaluation and due diligence and providing written evaluations of the financial, structural and legal issues relevant to the potential investments;

vi. performing due diligence on approved investments;

vii. monitoring and analysing the performance of the Group's investments; and

viii.performing credit analysis prior to making an investment and performing ongoing tenant credit analysis (including checking that rent has been received and following up with tenants on unpaid amounts).

AEW reports key matters at the quarterly Board meetings including but not limited to:

- Financial position of the Group.
- Performance of the Group.
- Acquisition and disposal of investments.
- Investment restrictions and compliance.
- Debt leverage and covenant analysis.
- Tenant and asset update including relevant information on tenants such as occupancy, condition, capex requirements, rent collections, credit analysis, and financial viability.
- Property managers and key third-party appointments.
- Report on properties under separate management agreements.
- During the Stabilisation Period and the Managed Wind-Down, a 13 week cashflow.
- Investment Manager resourcing and third-party providers.
- Health & Safety – material matters.
- Any other material matters that should be brought to the Board's attention.

The Investment Manager has an established track record of successfully investing in UK real estate, founded on a robust and disciplined investment and asset management process. AEW operates a multi-layered governance framework with challenge at every level. The underlying principle of the process is to ensure that client objectives are optimised in a controlled and risk managed environment.

As a subsidiary of one of the world's largest banking groups, AEW has rigorous policies and processes in place to ensure compliance with all relevant regulations and legislation. AEW participates in the wider group's Enterprise Compliance and Risk Programme operated by Natixis Investment Managers ("Natixis IM"), which provides a comprehensive compliance and risk management framework and governance structure based on the three lines of defence model. The principle of the three lines of defence relies on a multi-tiered approach:

- First line of defence: risk management controls are integrated into the operating processes formalised in clearly defined policies and procedures. Teams are also required to participate in relevant trainings and escalate any potential risk-related issues or incidents to the second line of defence.
- Second line of defence: appropriate review and challenge of first line activities. This includes control carried out by the compliance department through the permanent control programme. The Compliance Officer and the Risk Manager both have additional dual reporting lines into the local CEO and AEW Group counterparts and into the respective Natixis IM Chief Compliance Officer or Chief Risk Officer.
- Third line of defence: Internal audit undertaken with independent Natixis IM's compliance department and audit inspections undertaken by Natixis and the Groupe BPCE's audit functions.

Glossary

Administrator
Apex Fund and Corporate Services (UK) Limited. The Administrator is responsible for calculating the Net Asset Value of the Ordinary Shares in consultation with the AIFM and the Investment Adviser or Investment Manager as relevant and reporting this to the Board

AEW
AEW UK Investment Management LLP – Investment Manager and AIFM from 21 August 2023

AGM
Annual General Meeting

Aggregators
The various property vendors that entered into a settlement agreement dated 8 December 2022

AHRA
Alvarium Home REIT Advisors Limited now in liquidation – Investment Adviser until 30 June 2023

AIC
Association of Investment Companies. This is the trade body for closed-ended investment companies (www.theaic.co.uk)

AIC Code
The AIC Code of Corporate Governance, as published in February 2019. A framework of best practice guidance for investment companies

AIFM
Alternative Investment Fund Manager. The entity that provides portfolio management and risk management services to the Company and which ensures the Company complies with the AIFMD. The Company's AIFM was Alvarium Fund Managers (UK) Limited until 21 August 2023 when AEW UK Investment Management LLP succeeded it

AIFMD
Alternative Investment Fund Managers Directive.

AITi RE Limited
AHRA's former principal by virtue of an appointed representative agreement

A&M
Alvarez & Marsal Disputes and Investigations LLP consulting firm instructed by Board in January 2023 to conduct an investigation into allegations of wrongdoing, including matters raised in the Viceroy Research Report

Alvarium FM
Alvarium Fund Managers (UK) Limited, the AIFM until 21 August 2023

Alvarium Securities
Alvarium Securities Limited (now called Ellora Partners Limited) provided corporate broking services to the Group until 8 February 2023

Amended Investment Policy
Investment policy approved by shareholders on 21 August 2023 including a Stabilisation Period

Articles
The articles of association of the Company

Assured Shorthold Tenancies ("AST")
A type of residential tenancy in England and Wales. The most common form of arrangement that involves a private landlord or housing association

BDO
BDO LLP is the Group's independent auditor

Big Help
Comprises Big Help Homes CIC, Big Help Project, CG Community Council, Dovecot & Princess Drive Community Association, N-Trust Homes CIC, Select Social Housing

Broker
A third party that provides corporate finance advisory services to the Company, including research and fundraise support (including roadshow, marketing and book-building services). Alvarium Securities Limited acted as sole Broker from 21 September 2020 until Jefferies International Limited was appointed as Joint Broker from 29 October 2022. Alvarium Securities Limited resigned on 8 February 2023. The agreement with Jefferies International Limited was terminated on 1 February 2023. Liberum Capital Limited (now Panmure Liberum Limited) was appointed as Capital Markets Advisor on 5 July 2023 and will act as Broker from the date on which the Company's ordinary shares are re-admitted to listing on the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange

Capital Markets Adviser
Panmure Liberum Limited (previously Liberum Capital Limited) was appointed as Capital Markets Adviser on 5 July 2023 and will act as Broker from the date on which the Company's ordinary shares are re-admitted to listing on the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange

CIC
A Community Interest Company. A limited company, with special additional features, created for the use of people who want to conduct a business or other activity for community benefit, and not purely for private advantage

Company
Home REIT plc

Company Secretary
Apex Fund and Corporate Services (UK) Limited

Company website
www.homereituk.com

Completion
The point at which ownership of the property is legally transferred by dating the transfer deed

Consolidated Financial Statements
The Group accounts which include the Company and the subsidiaries included in Note 25 to the Consolidated Financial Statements

Covenant strength
The strength of a tenant's financial status and its ability to perform the covenants in the lease

Creditors Voluntary Liquidation (CVL)
A Creditors' Voluntary Liquidation is a formal liquidation process which brings about the end of an insolvent company. Liquidation involves the winding up of a company's affairs, resulting in the sale of its assets and dissolution. Companies may alternatively enter into administration which focuses on rescuing the company from insolvency by restructuring its operations and finances

Deferred Fees
The Deferred Fee imposed by Scottish Widows computed as: i) 0.5% of the aggregate amounts outstanding on the two loans at each of 31 August 2023 and 30 November 2023, and ii) a fee from 30 November 2023 computed as the equivalent of 5.0% per annum on the aggregate amounts outstanding on the two loans as computed on a daily basis, which from 1 July 2024 increased from 5% to 7%. All of these fees are payable upon full and final repayment of the loans

Depositary
Apex Depositary (UK) Limited appointed to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFMD

Directors Defendents
The Directors who were in place from inception to 3 January 2023

Dividend per share
The total dividend paid and proposed in respect of a period divided by the number of ordinary shares eligible for the dividend on the record date

EPC
Energy Performance Certificate

EPRA
European Public Real Estate Association, the industry body representing listed companies in the real estate sector

ERV
Estimated Rental Value

ESG
Environmental, Social and Governance

Exempt Accommodation
Supported housing where the landlord is a not-for-profit organisation and provides care, support and supervision to the claimant

Exempt Rents
Rents in relation to Exempt Accommodation

Exchange
The point on a property transaction at which the contract to sell is exchanged and dated and becomes legally binding

Fair Value
The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where parties had each acted knowledgeably, prudently and without compulsion

Fair value movement
An accounting adjustment to change the book value of an asset or liability to its fair value

FCA
The Financial Conduct Authority

FRI lease
A lease which imposes full repairing and insuring obligations on the tenant, relieving the landlord from all liability for the cost of insurance and repairs

FPPP
Financial Position and Prospects Procedures memorandum

FY21
Period from 19 August 2020 to 31 August 2021

FY22
Year ended 31 August 2022

FY23
Year ended 31 August 2023

Gross Asset Value
The aggregate value of the total assets of the Company as determined in accordance with IFRS

Group
Home REIT plc and its subsidiaries

Groupe BPCE
The ultimate owner of AEW. Groupe BPCE is the second-largest banking group in France. Groupe BPCE operates in the retail banking and insurance fields in France via its two major networks, Banque Populaire and Caisse d'Epargne, along with Banque Palatine. It also pursues its activities worldwide with the asset & wealth management services provided by Natixis Investment Managers (Natixis IM) and the wholesale banking expertise of Natixis Corporate & Investment Banking

Harcus Parker
Harcus Parker Limited a law firm specialising in claimant group actions, soliciting investors on a fully contingent basis ('no win no fee') to join together in bringing claims against the Company and other parties

House of Multiple Occupation ("HMO")
Rental property where at least three tenants live, forming more than one household sharing common facilities, such as kitchens and bathrooms

IAA
Investment Advisory Agreement between the Company, Alvarium FM and AHRA dated 22 September 2020

IFRS
UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs")

Independent valuer
An independent external valuer of a property. The Company's external valuer was Knight Frank for the period ended 28 February 2022 and prior. JLL was appointed on the 18 July 2023 to retrospectively value properties as at 31 August 2022 and subsequent periods

Investment Adviser
Alvarium Home REIT Advisors Limited ("AHRA") the appointed investment adviser until 30 June 2023

Investment Manager
AEW UK Investment Management LLP ("AEW"), the appointed Investment Manager and AIFM from 21 August 2023

IMA
Investment Management Agreement between the Company and Alvarium FM dated 22 September 2020 or Investment Management Agreement between the Company and AEW dated 22 May 2023

IPO
The admission to trading on the London Stock Exchange's Main Market of the share capital of the Company and listing of Ordinary Shares to the premium segment of the Official List of the FCA, on 12 October 2020

JLL
Jones Lang LaSalle Limited, the Group's Independent Valuer appointed on 18 July 2023 to value properties retrospectively as at 31 August 2022 and subsequent periods

Knight Frank
Knight Frank LLP the Group's independent valuer as at 28 February 2022 and previous periods

KPIs
Key performance indicators

Lease incentives/inducements
Incentives offered to tenants to enter into a lease. Typically this will be an initial rent-free period, or a cash contribution to fit-out. Under accounting rules, the value of the lease incentive is amortised through the Statement of Comprehensive Income on a straight-line basis until the lease expiry

Lender
Scottish Widows Limited ("Scottish Widows")

Liberum
Liberum Capital Limited (now Panmure Liberum Capital Limited) appointed on 5 July 2023 as capital markets adviser and will act as the corporate broker to the Company on commencement of re-listing on the Company's shares

Listing Rules
The listing rules of the FCA made under the Financial Services and Markets Act 2000 as amended from time to time

Loan to value ("LTV")
The outstanding value of bank borrowings as a percentage of the fair value of investment property as stated in the independent valuation

Local Housing Allowance ("LHA")
Rates used to calculate housing benefit for tenants renting from private landlords

Managed Wind-Down
The Company being managed with the intention of realising all the assets in its property portfolio in an orderly manner and with a view to repaying borrowings and making timely returns of capital to shareholders whilst aiming to optimise value for the Company's assets

Market capitalisation
The mid-market price for an ordinary share of the Company multiplied by the number of ordinary shares in issue

MEC
Management Engagement Committee

MV-VP
Market Value – Vacant Possession – refers to the value of an income-producing asset, assuming there is no tenant. It represents the value of the property without considering any lease or rental income

Natixis IM
Natixis Investment Manager, an international asset management group based in Paris, France, that is part of the Global Financial Services division of Groupe BPCE. Natixis IM is wholly owned by Natixis, a French investment banking and financial services firm. Natixis is wholly owned by BPCE, France's second largest banking group

Net Asset Value (NAV)
Net Asset Value is the equity attributable to shareholders calculated under IFRS

NAV per share
Equity shareholder, funds divided by the number of Shares in issue. This measure allows a comparison with the Company's share price to determine whether the Company's shares are trading at a premium or discount to its NAV calculated under IFRS

NAV total return
The percentage change in NAV, assuming that dividends paid to shareholders are reinvested at NAV to purchase additional Shares. This is an alternative performance measure that the Company tracks, as it is a direct indicator of the value produced by the Company's operations

Net break gains/losses
Net break gains result from provisions of the loan facility agreements which, at each early repayment event, generate a synthetic interest rate swap breakage on the fixed rate (effective swap rate) element of the loans resulting in a break gain or loss, and a make whole on the margins of the loans (Spens Cost)

New Investment Policy
Investment policy approved by shareholders on 16 September 2024 in respect of the Managed Wind-Down of the Group

Noble Tree
Noble Tree Foundation Limited

Original Investment Policy
Investment policy in place at IPO until 21 August 2023

Non-PID
Non-Property Income Distribution. The dividend received by a shareholder of the Company arising from any source other than profits and gains of the Tax Exempt Business of the Company

PID
Property Income Distribution. A dividend received by a shareholder of the Company in respect of profits and gains of the tax exempt business of the Company

Property Adviser
AEW UK Investment Management LLP during the period 22 May 2023 to 21 August 2023

Practical completion
The point at which a building project is complete, except for minor defects that can be put right without undue interference or disturbance to the tenant

Property Income
Net property income and net gains on the disposal of property which are exempted from corporation tax as long as at least 90% net property income is distributed to shareholders within 12 months of the end of the financial year

PRS
Private Rented Sector – housing classification whereby properties are owned by landlords (individuals or companies), and leased out to occupiers

Registrar
Link Market Services Limited, (trading as Link Group) has responsibility for maintaining the register of shareholders, receiving transfers of Shares for certification and registration and receiving and registering shareholders' dividend payments together with related services

REIT
A Real Estate Investment Trust. A company which complies with Part 12 of the Corporation Tax Act 2010

Subject to the relevant UK REIT criteria being met continually, the profits from the property business of a REIT, arising from both income and capital gains, are exempt from corporation tax

RNS
Regulatory News Service, the service provider used by the Group to distribute regulatory news and announcements

Sale and Purchase Agreements ("SPAs")
A binding legal contract between two parties that obligates a transaction to occur between a buyer and seller

Seller's Works
Obligation for the vendors to complete certain works on properties acquired, to ensure that the property was fit for purpose within a specified period, as defined in the SPAs

Shares
Ordinary Shares of £0.01 each in the capital of the Company. Ordinary Shares are the main type of equity capital issued by conventional Investment Companies. Shareholders are entitled to their share of both income, in the form of dividends paid by the Company, and any capital growth

Share price
The value of a share at a point in time as quoted on a stock exchange. The Company's Shares were quoted on the Main Market of the London Stock Exchange until they were suspended on 3 January 2023

Social Use
Real estate used to house vulnerable individuals, including but not limited to those affected by any of the following circumstances: homelessness, ex-service men and women, individuals fleeing domestic abuse, vulnerable women, people leaving prison, asylum seekers and refugees, foster care leavers, substance misuse, care leavers, mental illness, disability, specialist supported living and general needs social housing

SRI
Socially Responsible Investment

Stabilisation Period
The period per the Amended Investment Policy, beginning on 21 August 2023 and ending on 21 August 2025, or such later date (not being later than 21 August 2026) approved by the Board, during which the Company will have the objective of stabilising the Group's financial condition through initiatives to maximise income and capital returns by investing in a portfolio of UK residential real estate

Supported Living
Housing where support and/or care services are provided to help people to live as independently as possible.

SWLD
Seller's Works Longstop Date

The Good Economy
The Good Economy Partnership Limited, a social impact assessor and adviser appointed by the Company

Total shareholder return
The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of stock

UK Code
The UK Code of Corporate Governance being the code issued by the Financial Reporting Council which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. All companies with a premium listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the Code in their annual report and accounts

Valuer
An independent external valuer of a property. The Company's external valuer was Knight Frank LLP for the period ended 31 August 2021 and Jones Lang LaSalle Limited for the year ended 31 August 2022

Vibrant
Vibrant Energy Matters Limited, appointed by the Group in August 2023 to undertake a property inspection programme

Viceroy Research
Viceroy Research LLP

Viceroy Research Report
Viceroy Research report dated 23 November 2022

Company Information

Company number: 12822709

Country of incorporation: England and Wales

Directors, Management and Advisers

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Lynne Fennah
Peter Williams
Peter Cardwell
Simon Moore
Marlene Wood
Roderick Day ("Rod")

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