# Home REIT plc

Half Year Report — For the Period Ended 28 February 2023

# 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 interim results for the period from 1 September 2022 to 28 February 2023 ("HY23").

The Group had the investment objective in the period to seek to contribute responsibly to the alleviation of homelessness in the UK. 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. The Amended Investment Policy, defined as the investment policy approved by shareholders on 21 August 2023, is summarised on page 14. 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 for the year ended 31 August 2022 ("FY22") 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. The FY22 accounts were published on 11 October 2024.

Due to the delays in the publications of FY22 accounts and the impact on subsequent accounts, the audited accounts for the year ended 31 August 2023 ("FY23") were published as soon as they were available (on 14 January 2025) and in advance of publishing these unaudited HY23 accounts. This was to provide shareholders with the most up to date financial information available and to allow the audit of the annual results for the year ended 31 August 2024 ("FY24") to progress in parallel. Given the prior publication of the audited FY23 accounts, the Directors considered it unnecessary for the Group to incur additional auditor fees associated with a review of the HY23 accounts.

As non-executive directors, the Board relied 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. During the period and subsequently, material information has come to light which is in contradiction to the reporting provided to the Board at the time. The Directors have provided as much detail as they are able to within this Half Yearly Report in order to provide a 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 FY 2022 Annual Report.

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" or "Investment Adviser") (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 AlTi RE Limited ("AlTi 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.

## Introduction and Highlights

This Half Yearly Report covers the results for the period from 1 September 2022 to 28 February 2023 ("HY23") and the below sets out the background that is relevant for shareholders to review since the year ended 31 August 2022 ("FY22").

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 reconsider 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 Note 4 to the Group's Unaudited Condensed Consolidated Financial Statements).

The Board determined it was necessary to apply the revised accounting policies back to inception, requiring a review of all historical acquisition and lease documentation; instructing third parties to undertake an internal inspection programme to determine the condition of the properties; and appointing Jones Lang LaSalle Limited ("JLL") to undertake valuations of the entire portfolio, on the basis of fair value as at 31 August 2022 and subsequent periods. Further details are provided on pages 11 and 12.

Post period end, there was a change to the investment management of the Group:

- AHRA was the appointed Investment Adviser until 30 June 2023 and Alvarium FM was the appointed AIFM until 20 August 2023.
- On 22 May 2023 the Board of Home REIT plc appointed AEW UK Investment Management LLP (“AEW” or the “Investment Manager”) to provide property advisory services and announced its intent to engage AEW as Investment Manager and AIFM after receipt of FCA and shareholder approval of the Amended Investment Policy. On 21 August 2023 shareholders approved the Amended Investment Policy and the Board of Home REIT plc appointed AEW as Investment Manager and AIFM.
- AEW is not responsible for the historical performance of the Group prior to 21 August 2023. AEW’s role as Investment Manager is to manage the Group in accordance with the applicable investment policy. The Amended Investment Policy, effective from 21 August 2023, had the investment 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. The New Investment Policy effective from 16 September 2024 has the 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, which took place on 24 December 2024. However, it should be noted that the ability of the Company to make distributions to shareholders will be constrained whilst the Company faces potential group litigation. Full details of the New Investment Policy are on page 26.

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 73 to 79.

# Financial overview

- The Group acquired 234 investment properties for £104.1 million (including purchase costs) during the period to 28 February 2023 (year to 31 August 2022: 1,528 for £597.4 million), increasing the Group's portfolio to 2,473 properties in total.
- The portfolio was independently valued at £422.9 million as at 28 February 2023 (31 August 2022: £414.3 million). The properties have been valued on an individual basis. No portfolio premium has been applied.
- Decrease in fair value of properties of £63.9 million, representing a like for like decrease of 7% on the fair value as at 31 August 2022 and 41.8% of the historical acquisition costs of £1,014.3 million (including purchase costs) (31 August 2022: decrease of £452.9 million, 49.8% of the historical acquisition costs of £910.2 million).
- 67.7% of the portfolio (by number of properties, 69.5% by value) (31 August 2022: 39.1% 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 a tenant was judged to be in poor financial condition or worse or when the property condition was judged to be very poor or worse.
- The Group had total borrowing of £250.0 million comprising a 12-year debt facility of £120.0 million with an all-in fixed rate of 2.07% and a further 15-year debt facility of £130.0 million with an all-in fixed rate of 2.53% per annum for the term.
- The Loan-to-Value ratio ('LTV") as at 28 February 2023 was 59.1% (31 August 2022: 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 £8.9 million as at 28 February 2023 (31 August 2022: £74.5 million).
- Loss before tax for the six months to 28 February 2023 of £108.1 million (six months to 28 February 2022: profit of £34.7 million, 12 months to 31 August 2022: loss of £474.8 million).
- No dividends were paid in respect of the six-month period to 28 February 2023 (financial year to 31 August 2022: 5.50 pence per Share).
- 34.4% decrease in net asset value ('NAV") per Share to 28.70 pence as at 28 February 2023 (31 August 2022: 57.5% decrease to 43.76 pence), primarily resulting from the decrease in the fair value of investment property reflecting the re-assessment of tenant covenant strength and condition of the assets and the provision for doubtful debts.

# Portfolio and operational highlights

- The portfolio consists of 2,473 properties as at 28 February 2023 (31 August 2022: 2,239 properties).
- The condition of the properties held as at 28 February 2023 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 2,473 properties owned at 28 February 2023, 82.2% were inspected internally (from August 2023 to May 2024) and these have been assessed as 0.1% very good, 9.3% good, 64.1% fair, 19.6% poor and 6.9% very poor. Of those properties not inspected, 72.3% have been sold subsequent to 28 February 2023.
- 8.0% of properties were deemed unhabitable as at 28 February 2023 (31 August 2022: 7.7%) which includes the properties deemed as very poor by third party inspections as well as properties deemed unhabitable based on other information provided by tenants and AEW's asset management team.
- The Group's portfolio was let to 30 different registered charities, community interest companies and other regulated organisations. As at 28 February 2023, the Directors consider that 29 of these tenants are considered to be of weak covenant strength, with one tenant in administration (31 August 2022: 16 of these 29 tenants are considered to be of weak covenant strength, with one tenant in administration).
- 100% of the income associated with in place leases is index-linked and subject to an annual collar and cap of 1% and 4%, respectively. As of 3 April 2025, only 73 of those leases are still in place.

## Dividends

There were no dividends declared in respect of the period to 28 February 2023. 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 had ceased paying any further dividends until further notice.

## Investment Adviser, Investment Manager and AIFM

On 4 January 2023, the Company announced that Alvarium RE Limited (now called AlTi 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, following shareholder approval of the Amended Investment Policy, 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. The same day the Company formally appointed AEW as Investment Manager and AIFM.

### 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. Alvarium Securities Limited resigned as corporate broker on 8 February 2023.

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.

### 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 (both 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.

### Viceroy Research Report

On 23 November 2022, the Company acknowledged that Viceroy Research LLP ('Viceroy Research") had issued a short-seller report dated the same day (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, and based on formal representations from AHRA and Alvarium FM. Also on 30 November 2022, Viceroy Research issued a response to the rebuttal.

### Appointment of A&M and key findings of the report

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 11 to the Unaudited Condensed 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.

## Post year end highlights

### 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.

On 14 January 2025, following the publication of the FY23 accounts, the Company announced Lynne Fennah, Marlene Wood, Peter Cardwell and Simon Moore stood down as Directors with immediate effect. They will continue to assist the Company, when necessary, on historic legal and regulatory matters, and Lynne Fennah will be employed on a part-time basis to provide additional support in relation to these matters.

The remaining directors will continue to serve on the Audit Committee (Chair: Rod Day), Management Engagement Committee (Chair: Peter Williams, Senior Independent Director) and the Nomination Committee (Chair: Michael O'Donnell, Chair of Home REIT).

### Disposals

From 4 August 2023 to 3 April 2025, the Group exchanged on the sale of 1,622 properties for gross sales proceeds of £244.3 million, of which 1,615 properties had completed with gross sales proceeds of £243.5 million. Properties exchanged and completed were presented on the Consolidated Statement of Financial Position as at 28 February 2023 at £254.3 million. Of the proceeds received on completions, £191.6 million was applied against the outstanding loan balances. As of 3 April 2025, 7 properties have exchanged but not completed with a total gross sales value of £0.7 million.

## Restricted cash

Of the cash held in lockbox accounts as at 28 February 2023, £30.0 million was applied against the outstanding borrowings in April 2023 and the remaining balance of £8.9 million applied against outstanding borrowings in December 2023. Of the cash held in lockbox accounts as at 31 August 2023, £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.

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.

Of the retentions held by solicitors, £5.2 million has been released to the Group since 28 February 2023.

## Debt

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, Scottish Widows increased the Deferred Fee from 5% to 7% with effect from 1 July 2024 until the full repayment of the loans. On 27 November 2024, the Group made its final payment on the loans outstanding to Scottish Widows and on 16 December 2024 the Group paid the outstanding Deferred Fees of £9.0 million and Scottish Widows released the charge over the Company's assets.

## Tenant matters and lease amendments

Of leases associated with the tenants in place on the 2,473 properties owned by the Group on 28 February 2023, 73 are still in place, 392 properties have been turned over to a property manager resulting in the Group having direct leases with the occupants, 393 are re-tenanted, and 1,615 have been sold.

## 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 AlTi RE. On 29 May 2024, the Company issued a pre-action letter of claim to AHRA.

On 7 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.

# Chairman's statement

Dear Shareholder

As previously announced, the Group has faced unprecedented challenges during the period and post period end 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 for FY22.

With the deterioration in tenant covenant strengths and substantial tenant arrears during HY23, significant losses and a further decrease of NAV have occurred during the period.

In similar format to FY22 accounts, 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 AIFM and the Investment Adviser

Alvarium FM was the AIFM during the period and until 21 August 2023, by way of the IMA. Alvarium FM was responsible, inter alia, for managing the assets of the Group 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, until 30 June 2023, 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. The key findings of this report are detailed on pages 6 and 7.

Due to information that came to light which was in contradiction to reporting previously provided to the Board by AHRA and Alvarium FM, 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 at acquisition and up to the point of AHRA's termination, due diligence conducted by AEW and third-party service providers 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 90.6% 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 to May 2024), of the 2,473 properties owned at 28 February 2023, 49.8% were considered occupied, 14.2% were considered unoccupied, 18.2% were inspected by a firm other than Vibrant (who made no comment on occupation) and 17.8% remain uninspected (of which 72.3% have been sold subsequent to year-end);
- no data existed for determining which accommodation was 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 / or 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 AlTi 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

As a consequence of information that came to light during the period, the Board revised its accounting treatment for FY22 and subsequent periods in respect of the treatment of the acquisition of investment properties, rental property income and lease inducements. The revised accounting treatment was 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 relationship between vendor and tenants. As a result of the revised accounting policies adopted for FY22, the prior period comparatives for the period to 28 February 2022 have been restated in these Unaudited Condensed Consolidated Financial Statements.

### 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 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 had limited experience, 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.

Subsequent to 28 February 2023, sixteen tenants entered into administration or liquidation, which together with one tenant in liquidation at 28 February 2023, represent 77.3% of properties and 79.9% of annual contracted rent as at 28 February 2023. Rent collection had deteriorated throughout the period with rent arrears of £28.5 million (31 August 2022: £7.8 million) of which £28.5 million (31 August 2022: £1.9 million) was provided for as at 28 February 2023 (see Note 11 to the Unaudited Condensed Consolidated Financial Statements). As at 28 February 2023, 29 of the 30 tenants are considered to be of weak covenant strength representing 99.8% of properties and 99.9% of annual contracted rent. The poor financial condition of certain tenants also contributed to the reduction in the value of the property portfolio (see further commentary below).

### Quality of assets

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. 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 against the vendor 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. Of the 2,473 properties owned at 28 February 2023, 82.2% have been internally inspected with 90.6% 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 28 February 2023.

### Portfolio Valuation

The Group acquired 234 properties during the period totalling £104.1 million (including purchase costs) with a total of 2,473 properties held as at 28 February 2023.

JLL has independently valued the Group's portfolio in accordance with the RICS Valuation – Professional Standards. As at 28 February 2023, the Group's portfolio had a market value of £422.9 million (31 August 2022: £414.3 million) representing 41.7% of the historical acquisition costs of £1,014.3 million (including purchase costs). The reduction in the property valuation is principally a result of re-assessment of the covenant strength of the tenants, several of which entered into liquidation during and post period end and for acquisitions in the period as result of a re-assessment of the quality of the assets. The assessment of the covenant strength of tenants and the condition of the properties as at 28 February 2023 resulted in 67.7% (31 August 2022: 39.1%) by number of properties (69.5% (31 August 2022: 46.3%) by value) being valued on a vacant possession basis for the 28 February 2023 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 weaknesses of the tenants, and the high rent levels demanded under the leases, see further detail in Note 9 to the Unaudited Condensed Consolidated Financial Statements.

## Equity Issues

There were no equity issues in the period. Total gross proceeds raised since the Group commenced operations on 12 October 2020 were £853 million.

## Financial Results

### Net asset value

The NAV has decreased from £345.9 million as at 31 August 2022 to £226.9 million as at 28 February 2023. The significant items driving the decline include:

1. decrease in fair value of investment property of £63.9 million, reflecting the assessment of tenant covenant strength and the condition of the assets as detailed above;
2. net revenues of £2.7 million, after consideration of a provision for doubtful debts of £26.6 million;
3. write-off of lease related assets of £27.8 million; and
4. write-off of Seller's Works of £8.3 million.

The NAV per Share has decreased to 28.70 pence as at 28 February 2023, a decrease of 34.4% from the 43.76 pence as at 31 August 2022.

### Earnings

The loss before tax of the Group for the period to 28 February 2023 was £108.1 million (six months to 28 February 2022: profit of £34.7 million, year to 31 August 2022: loss of £474.8 million).

## Dividends

There were no dividends declared in respect of the financial period to 28 February 2023. 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.

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 16 to the Unaudited Condensed 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

The Group had two loans with Scottish Widows being a 12-year loan agreement 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 and a 15-year, interest only, £130 million loan at an all-in fixed rate of 2.53% per annum, expiring in December 2036. The latter loan was fully drawn down on 28 February 2022, but full use was subject to meeting conditions on assigning collateral.

After reporting loan covenant breaches in January 2023, the Lender extended the initial waiver letter dated 29 January 2023 and issued new waiver letters prior to the expiry of each previous waiver period. The waiver letters related 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. Certain financial penalties were imposed by the Lender in respect of the loan facilities to incentivise repayment of the loans as soon as possible. These Deferred Fees totalled £9.0 million and were comprised of the following:

- 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 loans were fully repaid.

On 27 November 2024, the Group made its final payment on the loans and on 16 December 2024 paid the Deferred Fees.

## Post-balance sheet matters

The post balance sheet events are detailed in Note 22 to the Unaudited Condensed Consolidated Financial Statements and further detail provided in the Management Report from page 17.

### The Investment Manager

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.

### Amended Investment Policy and Stabilisation period

The Amended Investment Policy changes, effective from 21 August 2023, 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 objective was to stabilise 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.

### Investment Manager asset management initiatives

AEW as the Investment Manager has since its appointment undertaken numerous initiatives to rationalise the portfolio and stabilise the Group's financial position

Since August 2023, the Group has completed on the sale of 1,615 properties and exchanged on a further 7 properties. The gross proceeds from properties sold and exchanged totals £243.5 million, which in aggregate is in line with the February 2023 valuation.

Over the course of 2023 and 2024, AEW removed non-performing tenants and regained control of properties, rationalising the portfolio and re-tenanting assets where appropriate and appointing property managers to collect the underlying rent. Of leases associated with the tenants in place on the 2,473 properties owned by the Group on 28 February 2023, 73 are still in place, 392 properties have been turned over to a property manager resulting in the Group having direct leases with the occupants, 393 are re-tenanted, and 1,615 have been sold.

### FCA investigation/Threatened litigation

The Company announced on 13 February 2024 the commencement of an investigation by the FCA into the Company. The Company, the Directors and the previous Directors in office at IPO 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, AlTi 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.

## 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 Rod Day was appointed as Independent Non-Executive Director on 7 June 2024.

On 14 January 2025, following the publication of the FY23 accounts, the Company announced Lynne Fennah, Marlene Wood, Peter Cardwell and Simon Moore stood down as Directors with immediate effect. I would like to take this opportunity to thank them for their support since I took the Chair role in January last year. They will continue to assist the Company, when necessary, on historic legal and regulatory matters, and Lynne Fennah will be employed on a part-time basis to provide additional support in relation to these matters.

The remaining directors will continue to serve on the Audit Committee (Chair: Rod Day), Management Engagement Committee (Chair: Peter Williams, Senior Independent Director) and the Nomination Committee (Chair: Michael O'Donnell, Chair of Home REIT).

## Managed Wind-Down and New Investment Policy

A key component of the continued advancement of the stabilisation strategy was the re-financing of the debt which the Group attempted during H1 2024. However, despite extensive and advanced discussions with a potential lender the Company was unable to secure a re-financing of its existing debt facility on terms that it could recommend to shareholders.

Subsequent to concluding that the re-financing was no longer viable and considering that Scottish Widows' objective for repayment of the loan balance no later than 31 December 2024, 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 the 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 might 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. 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 26.

## Outlook and Approach to the Managed Wind-Down

Although it was necessary to realise a proportion of the property portfolio before 31 December 2024 to meet the requirements of Scottish Widows for repayment of the outstanding debt, sales are otherwise expected to be structured and executed with the intention of achieving best value while minimising disruption to the underlying occupiers of the properties. The remaining portfolio is currently being marketed for sale. The Company is encouraged by the level of interest. Non-binding offers which were received for the full portfolio in mid-February, and now has progressed to the next stage. Further announcements will be made in due course.

During the Managed Wind-Down, asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity.

### Return of capital to shareholders

It is the intention of the Board 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.

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 end 31 August 2023 were published on 14 January 2025. The Company now expects to publish the unaudited interim results for the period ended 29 February 2024 and the annual report and accounts for the year ended 31 August 2024 in the second quarter 2025, and the unaudited interim report for the period ended 28 February 2025 as soon as practical thereafter. 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. The Company expects to engage with shareholders ahead of this important event.

The Board shares shareholders frustrations on the time taken to return capital to shareholders and the Board remains committed in seeking to optimise remaining shareholder value.

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.

Signed by:
Michael O'Donnell
36FA5FDC54464D0...

**Michael O'Donnell**
Chair
3 April 2025

# Management report

## Introduction

AHRA was the appointed Investment Adviser until 30 June 2023 and Alvarium FM was the appointed AIFM until 21 August 2023.

On 23 May 2023 the Board of Home REIT plc 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.

AEW is not responsible for the historical events and performance of the Group prior to its appointment as Investment Manager. AEW's role is to manage the Group in accordance with the applicable investment policy, initially being the Amended Investment Policy. This policy had the investment 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 during the Stabilisation Period. The Stabilisation Period was intended to be two years from 21 August 2023 or such later date (not being later than one year) approved by the Board.

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 including the restatement of the comparatives for the period to 28 February 2022. Revised accounting policies were adopted for the year ended 31 August 2022 and shareholders should refer to the FY22 Annual report for full details of these policies and the techniques used to make estimates when information was not otherwise available.

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; 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 234 properties during the period totalling £104.1 million (including purchase costs) with a total of 2,473 properties held as at 28 February 2023. 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 retrospectively 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) was established.

The below provides a reconciliation of the total acquisition cost from inception to 28 February 2023 of £1,014.3 million.

| As at | Six months to 28 February 2023 £ million | Year to 31 August 2022 £ million | Year to 31 August 2021 £ million | Total £ million |
|---|---|---|---|---|
| Investment property (including purchase costs) | 92.2 | 543.5 | 289.7 | 925.4 |
| Prepaid Seller's Works recognised as receivable | 5.9 | 19.0 | 4.8 | 29.7 |
| Lease inducements where building is considered as habitable | 5.4 | 32.0 | 16.7 | 54.1 |
| Lease inducement where building is considered as unhabitable | 0.6 | 2.9 | 1.6 | 5.1 |
| **Total acquisition cost (including purchase costs)** | **104.1** | **597.4** | **312.8** | **1,014.3** |

### Seller's Works

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

As discussed in Note 11 to the Unaudited Condensed Consolidated Financial Statements, the Group wrote-off £8.3 million in respect of 454 properties during the financial period ended 28 February 2023 and £11.9 million in respect of 608 properties during the year ended 31 August 2022 for which the vendor had not completed the Seller's Works by the Seller's Works Longstop Date ("SWLD"). In total, the Group has written off all of the £29.7 million of Seller's Works established since inception.

### 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. The comprehensive inspection programme led to a significant re-assessment of the quality of the property assets. Of the 2,473 properties owned at 28 February 2023, JLL externally inspected 2,391 properties, comprising 96.7% of the Group's property portfolio. Of these externally inspected properties, JLL internally inspected 195 properties. Vibrant or other third parties also undertook internal inspections of 2,033 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, 9.3% good, 64.1% fair, 19.6% poor and 6.9% very poor. Of the properties which were not inspected 318 properties have been sold, of which 317 have completed.

JLL has considered the quality of the assets in reaching its assessment of value, with properties which are 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 28 February 2023, the Group's portfolio had a market value of £422.9 million (31 August 2022 £414.3 million) representing 41.7% of the historical acquisition costs of £1,014.3 million including purchase costs (31 August 2022: 49.8% and £910.2 million, respectively). The reduction in the property valuation is principally a result of a re-assessment of the covenant strength of the tenants, several of which have gone into liquidation during the period and post period end, and the quality of the assets, including those assets acquired in the period.

In determining the fair value as at 28 February 2023, JLL has used a combination of valuation bases, adopting an investment valuation for 30.5% of the portfolio and MV-VP value for 69.5% of the portfolio (31 August 2022: investment value 53.7% and MV-VP 46.3%, respectively). In all cases, JLL has considered the rental value for the existing uses of the properties and Local Housing Allowance ("LHA") rates.

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 110% to 150% of MV-VP (31 August 2022: 150%).

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

| | 28 February 2023 | | 31 August 2022 | |
|---|---|---|---|---|
| As at | Number of properties | Fair Value £ millions | Number of properties | Fair Value £ millions |
| Investment valuation approach | 800 | 128.8 | 1,363 | 222.4 |
| Market value – vacant possession approach | 1,673 | 294.1 | 876 | 191.9 |
| **Total** | **2,473** | **422.9** | **2,239** | **414.3** |

As at 28 February 2023, 198 properties of the 2,473 were considered unhabitable (31 August 2022: 172 of 2,239 properties). The annual contracted rent and fair value in respect of these properties as at 28 February 2023 was £5.4 million and £27.8 million respectively (31 August 2022: £4.6 million; £27.2 million). Subsequent to 28 February 2023, 181 properties which were considered unhabitable at 28 February 2023 were sold, of which 180 have completed.

## Tenants

### Payment to/on behalf of tenants

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 in relation to rents invoiced during the year ended 31 August 2022 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 transactions.

### Rent free periods

Without Board knowledge or consent, the Group 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 11 to the Unaudited Condensed Consolidated Financial Statements.

## Tenant concentration

As at 28 February 2023, the portfolio was 100% let to 30 tenants. The below table summarises rental exposure as a percentage of annual contracted rent as at 28 February 2023:

| Top 10 tenants | Number of properties | Rental exposure | Contracted rent £ million |
|---|---|---|---|
| Lotus Sanctuary CIC | 115 | 12.5% | 7.6 |
| One CIC | 334 | 12.4% | 7.6 |
| Redemption Project CIC | 152 | 9.7% | 5.9 |
| Supportive Homes CIC | 209 | 9.6% | 5.9 |
| Big Help Project | 346 | 8.3% | 5.1 |
| Gen Liv UK CIC | 107 | 5.7% | 3.5 |
| Bloom Social Housing CIC | 94 | 4.8% | 3.0 |
| CG Community Council | 54 | 4.5% | 2.7 |
| Dovecot & Princess Drive Community Association | 52 | 4.1% | 2.5 |
| Noble Tree | 143 | 4.0% | 2.4 |
| Top 10 tenants | 1,606 | 75.6% | 46.2 |
| 20 other tenants | 867 | 24.4% | 15.1 |
| **Total** | 2,473 | 100.0% | 61.3 |

## 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 at 28 February 2023 as if they did meet the criteria of a group:

| Connected tenants as at 28 February 2023 | Rental exposure | Connected relationships | Connected tenant total exposure |
|---|---|---|---|
| Big Help Project | 8.3% | Common trustees – some or all of: Colette Goulding, Joseph Goulding, Paul Banks and Peter Mitchell | 21.1% |
| CG Community Council | 4.5% | | |
| Dovecot and Princess Drive Community Association | 4.1% | | |
| Big Help Homes CIC | 1.3% | | |
| N-Trust Homes CIC | 1.9% | | |
| Select Social Housing CIC | 1.0% | | |
| Lotus Sanctuary CIC | 12.5% | Common director – Gurpaal Singh Judge | 24.2% |
| Redemption Project CIC | 9.7% | | |
| Eden Safe Homes CIC | 2.0% | | |
| Ashwood Housing Solutions CIC | 2.7% | Former common director– Gabrielle Duberry | 3.8% |
| Serenity Support CIC | 1.1% | | |

### Tenant covenant strength and liquidations

As at 28 February 2023, 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.

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 28 February 2023, 29 of the 30 tenants were of weak covenant strength representing 99.8% of properties and 99.9% of annual contracted rent as at that time (28 February 2022: nil for both; 31 August 2022: 68.3% and 66.6%, respectively). One tenant was in liquidation as at 28 February 2023 (28 February 2022: nil; 31 August 2022: one tenant) and a further sixteen tenants have entered into administration or liquidation post period end, representing 77.3% of properties and 79.9% of annual contracted rent as at 28 February 2023.

### Rent collection

Rent collection deteriorated significantly during the period with arrears at 28 February 2023 of £28.5 million of which £28.5 million was fully provided for (31 August 2022: £7.8 million and £1.9 million, respectively).

### Occupancy and Social Use

Whilst properties were 100% let to tenants, the post period end inspection programme has identified 198 properties which were unhabitable at acquisition as well as at 28 February 2023 (31 August 2022: 172). Contrary to reporting by AHRA to the Board, the Group had no reliable data for monitoring underlying occupancy of properties as at 28 February 2023 and the Directors have therefore made assumptions based on the post period end inspection programme.

The inspection programme which was initiated in 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 building vacancy (no bedrooms occupied). As at the date of inspection by Vibrant, of the 2,473 properties owned at 28 February 2023, 49.8% were considered occupied, 14.2% were considered unoccupied, 18.2% were inspected by a firm other than Vibrant (who made no comment on occupation) and 17.8% were uninspected.

## General and administrative expenses

The Group has incurred significant expenses in the period to 28 February 2023. The broad categories of expenses are as follows:

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| AHRA investment advisory fees | 3,078 | 2,280 | 5,322 |
| Legal fees | 1,099 | 2 | 20 |
| Valuation fees | 1,082 | 317 | 764 |
| Aggregator settlement | 694 | – | – |
| Fees paid to the Group's Independent Auditor | 538 | 97 | 2,280 |
| Professional fees | 455 | 90 | 276 |
| Directors' fees | 93 | 93 | 176 |
| Other administrative expenses | 641 | 440 | 1,025 |
| **Total** | **7,680** | **3,319** | **9,863** |

- AHRA fees are discussed more fully in Note 18 to the Unaudited Condensed Consolidated Financial Statements;
- Legal fees increased as a result of: 1- activities supporting the response to allegations made in November 2022 and the associated corporate actions of £286,000, 2- the investigation of wrongdoing, the preparation of defensive action on behalf of the Company and the pursuit of those the Company considers responsible for the wrongdoing of £351,000 and 3-forensic support for the legal advisers of £445,000;
- Professional fees have increased as a response to the Viceroy allegations including the engagement of Smith Square Partners, who were appointed as the Company's financial adviser in February 2023 as well as incremental accounting and PR support;
- Audit fees have been allocated as a portion of the total fee recognised for the year ended 31 August 2023;
- Valuation fees have been allocated as a portion of the total fee recognised for the year ended 31 August 2023 and include an allocation of fees associated with a comprehensive inspection programme to support the valuation process which ran from August 2023 to May 2024; and
- The Aggregator settlement is described more fully on pages 6-7.

## Losses before tax

The loss before tax for the period ended 28 February 2023 was £108.1 million (profit for the period to 28 February 2022: £34.7 million and loss for the year ended 31 August 2022: £474.8 million). The primary drivers of the loss in the period to 28 February 2023 were:

- an unrealised loss on the FV of investment property of £63.9 million (28 February 2022: unrealised gain of £26.0 million; 31 August 2022: unrealised loss of £452.9 million),
- gross rental income of £29.4 million (28 February 2022: £15.4 million; 31 August 2022: £38.3 million) against which the Group recognised provisions for doubtful debts of £26.6 million (28 February 2022: nil; 31 August 2022: £1.9 million) so that net amount of rents recognised in the period to 28 February 2023 was £2.8 million (28 February 2022: £15.4 million; 31 August 2022: £36.4 million),
- write-off of Seller's Works not initiated of £8.3 million (28 February 2022: £1.2 million; 31 August 2022: £11.9 million),

- impairment charges on lease inducements and straight-line assets of £27.8 million (28 February 2022: nil; 31 August 2022: £31.3 million), and
- general and administrative expenses of £7.7 million (28 February 2022: £3.3 million; 31 August 2022: £9.9 million).

## Net asset value

The NAV per Share was 28.70 pence as at 28 February 2023, a decrease of 34.4% from the 43.76 pence as at 31 August 2022.

## Post period end activity

### Amended Investment Policy

On 21 August 2023, the Company's shareholder approved the Amended Investment Policy. The Amended Investment Policy aimed 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 was 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 22 August 2023 or such later date (not being later than one year) approved by the Board.
- the permitted uses of properties were 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 was 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 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

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, 1,622 properties have been sold at auction for total gross proceeds of £244.3 million of which 1,615 properties have completed for £243.5 million and 7 remain exchanged for sale for £0.70 million. The proceeds from the sale of these properties represent an average of 39.1% of their purchase price and 96.0% of their February 2023 valuation.

### Asset management initiatives

Over the course of 2024, AEW continued to remove non-performing tenants and regained control of properties, rationalising the portfolio and re-tenanting assets where appropriate and appointing property managers to collect the underlying rent. Of leases associated with the tenants in place on the 2,473 properties owned by the Group as at 28 February 2023, 73 are still in place, 392 properties have been turned over to a property manager resulting in the Group having direct leases with the occupants, 393 are re-tenanted, and 1,615 have been sold.

### 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 had a fixed all-in rate payable of 2.07% per annum, for the duration of the 12-year loan term. The loan was fully paid on 25 September 2024, and
- a 15-year interest-only, fixed rate, £130 million term loan agreement 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 loan was fully repaid on 27 November 2024.

The subsidiaries of the Company and the Company were 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 initial waiver letters dated 30 January 2023 were issued waiving certain breaches, new waiver letters have been issued on the expiry of each previous waiver period. The waiver letters related 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.

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 loans were fully repaid. The Deferred Fees of £9.0 million were paid on 16 December 2024.

## Outlook

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

During the Managed Wind-Down, AEW’s asset management initiatives will be focused on adding value to properties and preparing them for sale to maximise liquidity.

**AEW UK Investment Management LLP**
3 April 2025

# Investment objective and policy

The Amended Investment Policy, which is summarised on page 14, 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 Code, 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.

### 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.

Excess cash will be held in sterling only and 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 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.

# Key performance indicators

Set out below are the key performance indicators ("KPIs") that are used to track the Group's performance. 1 – Total Expense Ratio compares the expense ratio of the Group for the period from 1 September 2022 to 28 February 2023 to the six month period from 1 September 2021 to 28 February 2022. 2 – NAV per Share and 3 – Loan-to Value compare the KPI at 28 February 2023 to the KPI at 31 August 2022 because they are reliant on the valuation of investment property and the valuation at 31 August 2022 is prepared on the same basis as at 28 February 2023 making this comparison more meaningful.

| | | Performance | | |
|---|---|---|---|---|
| **KPI and definition** | **Relevance to strategy** | **2023** | **2022** | **Results** |
| **1. Total expense ratio**<br>The percentage of total operating expenses, including management fees and administrative costs, but excluding direct costs associated with properties under management contracts expressed as a percentage of NAV. | The total expense ratio is a key measure of the Group's administrative performance and can be used to measure Group performance against peer companies. | 6.3% | 1.2% | The ratio for the six months period to 28 February 2023 grew because some of the larger expenses (i.e., investment adviser and administrative fees) were charged and incurred based on published NAV, which was not retroactively written down until the 2022 report and accounts were published in November 2024. In addition, the Group began to incur exceptional levels of legal and professional fees beginning in December 2022. |
| **2. NAV per Share**<br>The NAV attributable to shareholders divided by average shares outstanding during the period. | NAV per share provides shareholders with an indication of Group value. | 28.70 pence | 43.76 pence | The balance fell 34.4% from 31 August 2022 to 28 February 2023 primarily as a result of the following unusual items:<br>i) an unrealized loss on the FV of investment property of £63.9 million;<br>ii) provision for doubtful debts of £26.6 million;<br>iii) write-off of Seller's Works of £8.3 million; and<br>iv) impairment charges on lease inducements of £27.8 million. |
| **3. Loan-to-Value**<br>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. | 59.1% | 60.3% | Group LTV decreased resulting from an £8.6 million increase in the valuation of investment property. |

# 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 period, 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.

As a result of the events during the period, as detailed on page 18 to 24, 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.

| 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 settlement of all remaining amounts owing to the Lender.<br><br>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.<br><br>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.<br><br>The Board has significant and relevant experience of directing listed funds and/or managing businesses including restructuring. |
| During the Managed Wind-Down, the Company will 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. 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.<br><br>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.<br><br>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. The Company is currently marketing the entire portfolio for sale in one transaction. In the event that the sale of such a diverse portfolio is not feasible, the Company will consider other forms of property sales including via auction, private treaty and individual asset sales. |

| 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.<br><br>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.<br><br>The returns that shareholders may receive will be subject to deductions for, among other things, direct disposal costs, tax, management fees 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 to return capital to shareholders upon the completion of the realisation strategy.<br><br>The Company's ability to make distributions may be constrained whilst the Company faces potential group litigation and an FCA investigation.<br><br>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.<br><br>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 are, however, considering potential methods for returning cash to shareholders and will make further announcements at the appropriate time. |
| **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.<br><br>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. | The Group is marketing the remaining portfolio for sale as a single portfolio. In the event that the sale of such a diverse portfolio is not feasible, the Company will consider other forms of property sales including via auction, private treaty and individual asset sales. Alternative methods of disposal will be considered if required in the circumstances. |
| **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 and resolution of significant contingencies.<br><br>Because most properties in the portfolio have a higher sales value if they are vacant, properties which are or become vacant are not being retenanted. There are increases in operating and other expenses and cash needs associated with vacancies and a potential for unforeseen capital expenditures.<br><br>The condition of the properties impacts the valuation, rental income, property costs and therefore earnings and the NAV of the Group. | As part of its strategy to rationalise the property portfolio, AEW had undertaken disposals with initial focus on those properties that were in poor or worse condition, or were largely vacant and required significant capital expenditure in order to be brought up to specification.<br><br>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:** | |
| 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.<br><br>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.<br><br>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.<br><br>The Group's investments are generally not immediately liquid. | The Group has repaid both loan facilities and paid the Deferred Fees to the Lender.<br><br>The Group has accumulated sufficient cash to fund operations for the next 12 months. In the event that additional cash is required, the Group could sell properties at auction to generate additional liquidity within 45-60 days.<br><br>The Board and AEW has a procedure for the approval of significant capex and unbudgeted expenses.<br><br>Net proceeds from remaining property sales will be 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. |
| **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 the return of funds to shareholders.<br><br>Factors include inter alia general economic climate, excess supply or fall in demand for properties and changes in laws or government regulations. | Since appointment, 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.<br><br>AEW reports its strategy and progress against business plans for portfolio rationalisation and re-tenanting to the Board on a regular basis. |
| **Tenant default and liquidation:** | |
| Failure by tenants to comply with their rental obligations and tenant liquidations affects the Group's ability to generate cash and negatively impacts asset valuation.<br><br>As at 31 August 2023, 29 of the 30 tenants are of weak covenant strength representing 99.8% of properties and 99.9% of annual contracted rent as at that time. One tenant had entered liquidation as at 28 February 2023 and a further sixteen tenants had entered into administration or liquidation post period end, representing | AEW determined that the majority of the original tenants were poorly capitalised and lacked long term operating track records. For tenants considered non-performing or unsuitable, AEW seeks to negotiate surrenders 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.<br><br>AEW has generally acted to remove non-performing tenants throughout the portfolio. If the CIC is still performing, the leases will remain in place, although terms may be varied. |

| Risk | Mitigation |
|---|---|
| 77.3% of properties and 79.9% of annual contracted rent as at 28 February 2023.<br>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 provides regular updates to the Board on its strategy and the progress against business plans. |
| **Property Valuations:** | |
| Property valuations are inherently subjective and uncertain and may not reflect actual sales prices realised by the Group.<br>Realisations will vary, and it is anticipated that there will be both positive and negative variances 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. 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. |

| **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.<br>There is a risk that the Shares are permanently delisted from the London Stock Exchange.<br>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 for the year ended 31 August 2024 and interims for HY-24 and HY-25.<br>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 updates and shareholder presentations. The Company will continue to provide periodic 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.<br>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 the Investment Manager 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.<br>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. | AEW's performance is closely monitored by the Board with regular review including key staff and general resourcing.<br>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.<br>The Board will undertake a rigorous selection process for any new key service provider appointments. |
| Replacement of key service providers could disrupt the business, causing potential issues and delays in reporting. | 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:** | |
| The Group has appointed third party specialists including IHM and property managers which has resulted in additional costs to the Group | AEW has controls in place around expenditures made by the IHM and property managers in accordance with contractual agreements. AEW monitors expenditure against expectations and provides regular reporting to the Board on properties subject to IHM and property management agreement. |
| In some instances, property managers formerly 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 that aligns with the flexibility required for sale of the properties under the Managed Wind-Down. |
| 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. |

| 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.<br><br>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.<br><br>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.<br><br>As a result of the FCA investigation into the Company, (because 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 against the Group or a group action:** | |
| As a result of the potential shareholder group litigation against 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.<br><br>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 stood down on 14 January 2025 following publication of the 2023 financial results.<br>The remaining Directors were appointed during 2024 and 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 (now MEC chair) and another Non-Executive Director who is now the audit committee chair.<br>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.<br>The retiring Directors will continue to assist the Company, when necessary, on historic legal and regulatory matters, and Lynne Fennah will be employed on a part-time basis to provide additional support in relation to these matters.<br>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.<br>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.<br>Property managers are obligated to provide regular reporting on H&S compliance. AEW undertake spot checks of compliance. |

# Directors' responsibility statement

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as contained in UK adopted international accounting standards and that the operating and financial review comprising this report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority namely:

- an indication of important events that have occurred during the Period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial period; and
- disclosure of any material related party transactions in the Period are included in Note 18 to the financial statements.

A list of the Directors is shown at the rear of the Interim Report.

For and on behalf of the Board

Signed by:
Michael O'Donnell
36FA5FDC54464D0...

**Michael O'Donnell**
Chair
3 April 2025

## Financial Statements

## Consolidated Financial Statements

### Consolidated Statement of Comprehensive Income

| | Note | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022, as restated £'000 | Audited For the year ended 31 August 2022 £'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Rental income | 5 | 29,374 | 15,415 | 38,249 |
| Impairment of lease inducement | 5 | (22,010) | – | (28,348) |
| Impairment of rent straight-lining | 5 | (5,811) | – | (2,922) |
| **Net rental income** | | **1,553** | **15,415** | **6,979** |
| **Operating expenses** | | | | |
| General and administrative expenses | 6 | (7,680) | (3,319) | (9,863) |
| Provision for expected credit losses of trade receivables | 11 | (26,629) | – | (1,850) |
| Other expenses | 6 | – | (375) | (375) |
| **Total expenses** | | **(34,309)** | **(3,694)** | **(12,088)** |
| Change in fair value of investment property | 9 | (63,949) | 25,961 | (452,873) |
| Write-off of Seller's Works not initiated | 11 | (8,296) | (1,183) | (11,922) |
| **Operating (loss)/profit for the period/year** | | **(105,001)** | **36,499** | **(469,904)** |
| Finance costs | 7 | (3,102) | (1,841) | (4,940) |
| (Loss)/profit before taxation | | (108,103) | 34,658 | (474,844) |
| Taxation | 8 | – | – | – |
| **(Loss)/income and total comprehensive (loss)/income for the period/year attributable to shareholders** | | **(108,103)** | **34,658** | **(474,844)** |
| **(Loss)/earnings per Share – basic and diluted (pence per Share)*** | 20 | **(13.67)** | **6.72** | **(79.52)** |

All Items In the above statement derive from continuing operations.

The notes on pages 40 to 62 form part of these financial statements.

**Financial Statements**

**Consolidated Financial Statements - continued**

## Consolidated Statement of Financial Position

| | Note | As at 28 February 2023 £'000 | Audited As at 31 August 2022 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | 9 | 422,900 | 414,270 |
| Total non-current assets | | **422,900** | **414,270** |
| **Current assets** | | | |
| Trade and other receivables | 11 | 6,113 | 16,139 |
| Restricted cash | 12 | 46,388 | 101,843 |
| Cash and cash equivalents | 12 | 8,888 | 74,514 |
| **Total current assets** | | **61,389** | **192,496** |
| **Total assets** | | **484,289** | **606,766** |
| **Current liabilities** | | | |
| Bank borrowings | 10 | 244,037 | 245,047 |
| Trade and other payables | 13 | 13,327 | 15,781 |
| **Total current liabilities** | | **257,364** | **260,828** |
| **Total liabilities** | | **257,364** | **260,828** |
| **Net assets** | | **226,925** | **345,938** |
| **Capital and reserves** | | | |
| Share capital | 14 | 7,906 | 7,906 |
| Share premium | 15 | 595,733 | 595,733 |
| Special distributable reserve | 16 | 190,130 | 201,040 |
| Accumulated losses | | (566,844) | (458,741) |
| **Total capital and reserves attributable to equity holders of the company** | | **226,925** | **345,938** |
| **Net asset value per share (pps)** | 21 | **28.70p** | **43.76p** |

The notes on pages 40 to 62 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 3 April 2025 and signed on its behalf by:

Signed by:
Michael O'Donnell
36FA5FDC54464D0...

**Michael O'Donnell**
Chair
Company number 12822709

**Financial Statements**

**Consolidated Financial Statements – continued**

## Consolidated Statement of Changes in Shareholders' Equity

| For the half-year ended 28 February 2023 | 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 2022 | | 7,906 | 595,733 | 201,040 | (458,741) | 345,938 |
| Loss and total comprehensive loss for the period attributable to shareholders | | – | – | – | (108,103) | (108,103) |
| **Transaction with owners:** | | | | | | |
| Dividend distribution | 17 | – | – | (10,910) | – | (10,910) |
| **Balance at 28 February 2023** | | **7,906** | **595,733** | **190,130** | **(566,844)** | **226,925** |

| For the year ended 31 August 2022 | Note | Share capital £'000 | Share premium £'000 | Special distributable reserve £'000 | Retained earnings £'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 |
| Income and total comprehensive income for the period attributable to shareholders | | – | – | – | 34,658 | 34,658 |
| **Transaction with owners:** | | | | | | 0 |
| Dividend distribution | 17 | – | – | (9,677) | – | (9,677) |
| Share capital issued | 14 | 3,211 | 346,789 | – | – | 350,000 |
| Share issue costs | 15 | – | (7,000) | – | – | (7,000) |
| **Balance at 28 February 2022** | | **5,617** | **339,789** | **219,683** | **50,761** | **615,850** |
| Loss and total comprehensive loss for the period attributable to shareholders | | – | – | – | (509,502) | (509,502) |
| **Transaction with owners:** | | | | | | |
| Dividend distribution | 17 | – | – | (18,643) | – | (18,643) |
| Share capital issued | 14 | 2,289 | 260,945 | – | – | 263,234 |
| Share issue costs | 15 | – | (5,001) | – | – | (5,001) |
| **Balance at 31 August 2022** | | **7,906** | **595,733** | **201,040** | **(458,741)** | **345,938** |

The notes on pages 40 to 62 form part of these financial statements.

**Financial Statements**

**Consolidated Financial Statements - continued**

## Consolidated Statement of Cash Flows

| | Note | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss) / income for the period | | (108,103) | 34,658 |
| Change in fair value of investment property | 9 | 63,949 | (25,961) |
| Finance costs | 7 | 3,102 | 1,841 |
| Effect of straight lining, lease inducements and impairments | 5 | 24,648 | (796) |
| Other expenses - Escrow account | | – | 375 |
| **Operating result before working capital changes** | | **(16,404)** | **10,117** |
| Decrease / (increase) in trade and other receivables | 11 | 19,405 | (9,873) |
| (Decrease) / increase in trade and other payables | 13 | (3,702) | 8,028 |
| **Net cash flows (used in) / generated from operating activities** | | **(701)** | **8,272** |
| **Cash flows from investing activities** | | | |
| Purchase of investment properties | 9 | (85,866) | (357,027) |
| Receipts relating to buildings considered as unhabitable | 9 | 427 | – |
| **Net cash used in investing activities** | | **(85,439)** | **(357,027)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital and share premium | 14 | – | 350,000 |
| Share issue costs | 15 | – | (7,000) |
| Dividend distribution | 16 | (9,663) | (9,677) |
| Interest paid | | (2,865) | (1,559) |
| Loan arrangement fee paid | | (1,192) | (1,677) |
| Cash released from restricted cash account | 12 | 34,234 | 28,298 |
| **Net cash generated from financing activities** | | **20,514** | **358,385** |
| **Net (decrease) / increase in cash and cash equivalents** | | (65,626) | 9,630 |
| Cash and cash equivalents at beginning of the period | | 74,514 | 6,218 |
| **Cash and cash equivalents at end of the period** | 12 | **8,888** | **15,848** |

The notes on pages 40 to 62 form part of these 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 "Board" or the "Directors"). The Company commenced operations on 12 October 2020 when its shares commenced trading on the London Stock Exchange. The Group (the "Group") consists of the Company and its subsidiaries. The Company filed its Annual Report & Accounts, including the Consolidated Financial Statements, for the year ended 31 August 2022 on 11 October 2024. 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 these half-yearly accounts by 31 May 2023, the 2023 Annual Report and Accounts by 31 December 2023 (these were made available on the Company's website on 14 January 2025), the half-yearly accounts for the period to 29 February 2024 by 31 May 2024, or the 2024 Annual Report and Accounts by 31 December 2024. 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").

These interim condensed unaudited financial statements have been prepared in accordance with IAS 34, Interim Financial Statements, as adopted by the UK and should be read in conjunction with the Company's financial statements for the year ended 31 August 2022. These condensed unaudited financial statements do not include all information required for a complete set of financial statements prepared in accordance with International Accounting Standards as adopted by the UK. However, selected explanatory notes have been included to explain events and transactions that are significant in understanding changes in the Group's financial position and performance since the financial statements for the period ended 31 August 2022.

The financial Information contained in this Interim Report and Financial Statements for the six months ended 28 February 2023 and the comparative information for the year ended 31 August 2022 do not constitute statutory accounts as defined in sections 435(1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 August 2022 have been delivered to the Register of Companies. The Auditor did not express an opinion on those accounts because of the significant items described in the Basis for disclaimer of opinion section of their report. Additionally, because of the significance of the items contained in their disclaimer of opinion, they were unable to conclude on whether each of the elements of the Corporate Governance Statement and other Companies Act 2006 reporting was materially consistent with the financial statements.

Due to the delays in the publication of the FY22 accounts and the impact on subsequent period accounts, the Directors decided to publish the audited accounts for the year ended 31 August 2023 ("FY23") as soon as they were available and in advance of publishing these unaudited HY23 accounts in order for the audit of the annual results for year ended 31 August 2024 ("FY24") to progress in parallel. Because the FY23 accounts together with BDO's report was made available to investors on 14 January 2025, the Directors considered it unnecessary for the Group to incur the additional fees associated with a review of the HY23 accounts by BDO. Accordingly, BDO LLP did not perform a review of the financial information as contained in this report.

The Company was formed to carry on business as a REIT with an investment objective to deliver income and capital growth over the medium-term for shareholders through the acquisition of high-quality homeless accommodation across the UK let on long-term leases.

As discussed more fully in Note 18, on 15 March 2023, the Board and its former Investment Adviser, Alvarium Home REIT Advisers Limited ("AHRA"), agreed by way of letter of agreement that Home REIT 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 23 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 Advisor 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 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's shareholders approved the revised investment policy, Home REIT terminated the IMA and the Company appointed AEW as Investment Manager and AIFM.

## 1. General information – continued

**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 have 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 22, on 16 September 2024 shareholders approved the New Investment Policy for a Managed Wind-Down of the Group's operations. Part of that strategy was to sell enough properties through auctions to repay all amounts outstanding to Scottish Widows Limited ("Scottish Widows" or the "Lender"). On 27 November 2024, the Group repaid the loans and in December 2024, the Group paid the Deferred Fees of £9.0 million and Scottish Widows released its charge over the Group's assets.

Pursuant to the Managed Wind-Down, the Group will sell its remaining portfolio of investment properties and will not make any further real estate acquisitions. No further investment will be made unless such expenditure is necessary to protect or enhance an asset's net realisable value or in order to comply with statutory obligations.

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

1. The disposal of all remaining properties in a sale of the portfolio in one or more transactions. Such transactions are expected to complete in the second calendar quarter of 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 Group's annual report and accounts for the year ended 31 August 2025 are required to be filed.

As of the date of these financial statements, the Group has approximately £12.7 million of free cash and expects a further £0.7 million of net proceeds from exchanged but not completed property sales. For purposes of the going concern analysis only the Directors have assumed nil cash rent net of property expenses until the properties are sold. The Directors have forecast expenditures over the next twelve months and are comfortable that the cash on hand plus the net proceeds on exchanged but not completed property sales will be adequate to cover those expenses. In the event that expenditures exceed those estimates, the Group can sell additional properties to cover any unforeseen expenses.

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 will 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 the threatened litigation, the FCA investigation and 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 these 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. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are consistent with those applied within the Company's Consolidated Financial Statements for the year ended 31 August 2022. The comparative amounts for the period ended 28 February 2022 included herein have been restated because those accounts contained errors as described more fully in Note 4.

The condensed consolidated financial statements for the period ended 28 February 2023 have been prepared on a historical cost basis, as modified for the Group's investment properties which are carried at fair value with changes presented in the statement of comprehensive income.

The condensed consolidated financial statements are presented in Sterling, which is the Group's presentation and functional currency, and values are rounded to the nearest thousand pounds, except where indicated otherwise.

**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 Group has 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 IAS 1: Disclosure of accounting policies and definition of estimates | 1 January 2023 |
| Amendments to IAS 1 : Classification of Liabilities as current or non-current, IFRS 16 on considering profit in sale leaseback transactions and IAS 7 on supplier finance | 1 January 2024 |
| Amendments to IFRS 7 and IFRS 9 on the Classification and Measurement of Financial Instruments | 1 January 2026 |
| Amendment to IFRS 18 presentation and disclosure of information in the primary financial statements | 1 January 2027 |

There are several new standards and interpretations which were effective for the first time for periods beginning on or after 1 September 2022. The new standards impacting the Group are:

Onerous Contracts – Costs of Fulfilling a Contract, an amendment of IAS 37 clarified the requirements of costs to be considered when assessing whether they are associated with fulfilling a contract. The Group does not assess that any of its contracts are onerous.

Classification of Liabilities as Current or non-current – clarifies when a liability should be presented as current. The Group complies with the requirements of the standard in the presentation of its liabilities and in particular the presentation of its long-term debt as current at 31 August 2022.

## 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. Adjustments to accounting estimates are recognised in the period in which the estimates are revised. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in Note 3 to the 2022 Consolidated Financial Statements. The comparative amounts for the period ended 28 February 2022 included herein have been restated because those accounts contained errors as described more fully in Note 4.

## 4. Correction of Prior Periods Errors

As described more fully in Note 3 Significant Accounting Judgements and Estimates in the 2022 Consolidated Financial Statements, the Directors have reconsidered the purchase price allocation for every acquisition since inception which resulted in corrections of information presented in the 2022 Annual Report and Accounts and now the restatement of the interim results for the period ended 28 February 2022, as presented below. Further, the impact on the opening balances as of 1 September 2021 are also presented below. A summary of the adjustments is as follows:

### 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 the property to an acceptable standard with a specified period of time as defined in the Sale and Purchase Agreement ("SPA"), including 198 which were deemed unhabitable (these 198 assets were purchased in the following periods: six months to 28 February 2023 - 26, full year 2022 - 120 and full year 2021 - 52). With some exceptions where the Group kept a retention, at the acquisition date, the Group 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 Seller's Works Longstop Date ("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 Seller's Works balance was written off to the Consolidated 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 in the following balance sheet.

### 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 the Investment Advisor released the retentions without receiving a certificate of practical completion as required under most SPAs. If the works were never completed, the balance is released back to the Group and the creditor is reversed accordingly. The Directors have corrected the previous accounting by establishing the retention as a restricted cash balance with an offsetting short-term creditor. Because the release of retentions was not always accompanied by a certificate of practical completion, the Directors have presented the release of retentions on a cash basis.

### 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 first year's rent, which was funded through the original acquisition payment made by the Group to the vendors as part of the acquisition price. The Directors therefore concluded that the substance of the transactions was such that the lease and 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 arrangement 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 finds to be used as approved by two AHRA fund managers, acting without the authority of the directors. The funds could be accessed by the two tenants as approved by the fund managers. The transaction had not previously been accounted for and as a result, the six-month period ended 28 February 2022 has been restated to provide for the £375,000 spent during the period as an expense.

Correcting these errors had the following impacts on each primary financial statement:

## 4. Correction of Prior Periods Errors – continued

Impact on Consolidated Statement of Comprehensive Income for the period to 28 February 2022:

| | 28 February 2022, as Previously Reported £'000 | Unhabitable Properties Adjustment £'000 | Seller's Works Adjustment £'000 | Lease Inducement Amortisation Adjustment £'000 | Escrow account Adjustment £'000 | 28 February 2022, as Restated £'000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Rental income | 15,987 | – | – | – | – | 15,987 |
| Rent not recognised because properties were unhabitable | – | (1,368) | – | – | – | (1,368) |
| Rent straight lining and lease inducement amortisation | 1,518 | – | – | (722) | – | 796 |
| **Total income** | **17,505** | **(1,368)** | **–** | **(722)** | **–** | **15,415** |
| **Expenses** | | | | | | |
| General and administrative expenses | (3,319) | – | – | – | – | (3,319) |
| Other expenses | – | – | – | – | (375) | (375) |
| **Total expenses** | **(3,319)** | **–** | **–** | **–** | **(375)** | **(3,694)** |
| Change in fair value of investment property | 25,961 | – | – | – | – | 25,961 |
| Write-off of seller's works not initiated or completed | – | – | (1,183) | – | – | (1,183) |
| **Operating profit for period** | **40,147** | **(1,368)** | **(1,183)** | **(722)** | **(375)** | **36,499** |
| Finance costs | (1,841) | – | – | – | – | (1,841) |
| Profit before taxation | 38,306 | (1,368) | (1,183) | (722) | (375) | 34,658 |
| Taxation | – | – | – | – | – | – |
| **Total comprehensive income for the period attributable to shareholders** | **38,306** | **(1,368)** | **(1,183)** | **(722)** | **(375)** | **34,658** |
| **Earnings per share – basic and diluted (pence per share)** | **7.43** | **(0.27)** | **(0.23)** | **(0.14)** | **(0.07)** | **6.72** |

## 4. Correction of Prior Periods Errors – continued

Impact on Consolidated Statement of Financial Position:
As at 28 February 2022

| | 28 February 2022, as Previously Reported £'000 | Unhabitable Properties and Lease Inducement Adjustment £'000 | Seller's Works Adjustment £'000 | Lease Inducement Amortisation Adjustment £'000 | Escrow account Adjustment £'000 | Tenant Receivables Adjustment £'000 | Acquisition Costs Accrual Adjustment £'000 | Retentions Adjustment £'000 | Debtor Reclassification Adjustment £'000 | Restatement Brought Forward from year ended 31 August 2021 £'000 | 28 February 2022, as Restated £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | | | | |
| **Investment property:** | | | | | | | | | | | |
| Balance at 1 September 2021 | 327,860 | – | – | – | – | – | – | – | – | (6,928) | 320,932 |
| Property acquisitions in period | 358,034 | (19,431) | – | – | – | – | (711) | – | – | – | 337,892 |
| Lease inducement on unhabitable properties recognised as receivable | – | (1,637) | – | – | – | – | – | – | – | – | (1,637) |
| Rent straight lining and lease inducement | 1,518 | 19,431 | – | (722) | – | – | – | – | – | – | 20,227 |
| Prepaid seller's works recognised as receivable | – | – | (10,739) | – | – | – | – | – | – | – | (10,739) |
| Increase in fair value of investment property | 25,961 | – | – | – | – | – | – | – | – | – | 25,961 |
| **Investment property** | **713,373** | **(1,637)** | **(10,739)** | **(722)** | **–** | **–** | **(711)** | **–** | **–** | **(6,928)** | **692,636** |
| **Total non–current assets** | **713,373** | **(1,637)** | **(10,739)** | **(722)** | **–** | **–** | **(711)** | **–** | **–** | **(6,928)** | **692,636** |
| **Current assets** | | | | | | | | | | | |
| **Trade and other receivables:** | | | | | | | | | | | |
| Tenant receivables in accordance with lease agreements | 6,159 | – | – | – | – | – | – | – | 256 | (121) | 6,294 |
| Cash received for unhabitable properties | – | – | – | – | – | 1,028 | – | – | – | – | 1,028 |
| Total tenant receivables in accordance with lease agreements | 6,159 | – | – | – | – | 1,028 | – | – | 256 | (121) | 7,322 |
| Rent not recognised because properties were unhabitable | – | – | – | – | – | (1,368) | – | – | – | – | (1,368) |
| **Tenant receivables, net** | **6,159** | **–** | **–** | **–** | **–** | **(340)** | **–** | **–** | **256** | **(121)** | **5,954** |
| Prepaid expenses | 802 | – | – | – | – | – | – | – | (735) | – | 67 |
| Other receivables | – | – | – | – | – | – | – | – | 479 | – | 479 |
| **Tenant receivables and other financial assets** | **6,961** | **–** | **–** | **–** | **–** | **(340)** | **–** | **–** | **–** | **(121)** | **6,500** |
| Prepaid Seller's Works recognised as receivable | – | – | 10,739 | – | – | – | – | – | – | 1,183 | 11,922 |
| Write-off of Seller's Works not initiated or completed | – | – | (1,183) | – | – | – | – | – | – | – | (1,183) |
| **Seller's works receivable** | **–** | **–** | **9,556** | **–** | **–** | **–** | **–** | **–** | **–** | **1,183** | **10,739** |
| Lease inducement on unhabitable properties recognised as receivable | – | 1,637 | – | – | – | – | – | – | – | 662 | 2,299 |
| Cash received for unhabitable properties | | (1,028) | – | – | – | – | – | – | – | – | (1,028) |
| **Lease inducement receivable for unhabitable properties** | **–** | **609** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **662** | **1,271** |
| **Trade and other receivables** | **6,961** | **609** | **9,556** | **–** | **–** | **(340)** | **–** | **–** | **–** | **1,724** | **18,510** |
| Restricted cash | 137,574 | – | – | – | (375) | – | – | 6,869 | – | 4,036 | 148,104 |
| Cash and cash equivalents | 15,848 | – | – | – | – | – | – | – | – | – | 15,848 |
| **Total current assets** | **160,383** | **609** | **9,556** | **–** | **(375)** | **(340)** | **–** | **6,869** | **–** | **5,760** | **182,462** |
| **Total assets** | **873,756** | **(1,028)** | **(1,183)** | **(722)** | **(375)** | **(340)** | **(711)** | **6,869** | **–** | **(1,168)** | **875,098** |
| **Non-current liabilities** | | | | | | | | | | | |
| Bank borrowings | 245,936 | – | – | – | – | – | – | – | – | – | 245,936 |
| **Total non-current liabilities** | **245,936** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **245,936** |
| **Current liabilities** | | | | | | | | | | | |
| Trade and other payables | 3,493 | – | – | – | – | – | (711) | 6,869 | – | 3,661 | 13,312 |
| **Total current liabilities** | **3,493** | **–** | **–** | **–** | **–** | **–** | **(711)** | **6,869** | **–** | **3,661** | **13,312** |
| **Total liabilities** | **249,429** | **–** | **–** | **–** | **–** | **–** | **(711)** | **6,869** | **–** | **3,661** | **259,248** |
| **Net assets** | **624,327** | **(1,028)** | **(1,183)** | **(722)** | **(375)** | **(340)** | **–** | **–** | **–** | **(4,829)** | **615,850** |
| Share capital | 5,617 | – | – | – | – | – | – | – | – | – | 5,617 |
| Share premium | 339,789 | – | – | – | – | – | – | – | – | – | 339,789 |
| Special distributable reserve | 219,683 | – | – | – | – | – | – | – | – | – | 219,683 |
| Retained earnings | 59,238 | (1,028) | (1,183) | (722) | (375) | (340) | – | – | – | (4,829) | 50,761 |
| **Capital and reserves attributable to equity holders of the Company** | **624,327** | **(1,028)** | **(1,183)** | **(722)** | **(375)** | **(340)** | **–** | **–** | **–** | **(4,829)** | **615,850** |

## 4. Correction of Prior Periods Errors – continued

Impact on Consolidated Statement of Financial Position:
As at 31 August 2021

| | 31 August 2021, as Previously Reported £'000 | Unhabitable Properties Adjustment £'000 | Seller's Works Adjustment £'000 | Lease Inducement Amortisation 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 non habitable 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 in accordance with lease agreements | 1,191 | – | – | – | – | – | – | 1,191 |
| Cash received for non habitable 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) |
| **Seller's works receivable** | **–** | **–** | **1,183** | **–** | **–** | **–** | **–** | **1,183** |
| Lease inducement on non habitable properties recognised as receivable | – | 1,604 | – | – | – | – | – | 1,604 |
| Cash received for non habitable properties | | (942) | – | – | – | – | – | (942) |
| **Lease inducement receivable for non-habitable properties** | **–** | **662** | **–** | **–** | **–** | **–** | **–** | **662** |
| **Trade and other receivables** | **1,406** | **662** | **1,183** | **–** | **–** | **–** | **(121)** | **3,130** |
| 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** |
| Share capital | 2,406 | – | – | – | – | – | – | 2,406 |
| Special distributable 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 Periods Errors – continued

Impact on Consolidated Statement of Cash Flows:

| | 28 February 2022, as Previously Reported £'000 | Unhabitable Properties Adjustment £'000 | Seller's Works Adjustment £'000 | Lease Inducement Adjustment £'000 | Escrow account Adjustment £'000 | Retentions Adjustment £'000 | 28 February 2022, as Restated £'000 |
|---|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | | |
| (Loss)/income for the period | 38,306 | (1,368) | (1,183) | (722) | (375) | – | 34,658 |
| Change in fair value of investment property | (25,961) | – | – | – | – | – | (25,961) |
| Finance costs | 1,841 | – | – | – | – | – | 1,841 |
| Effect of straight lining, lease inducements and impairments | (1,518) | – | – | 722 | – | – | (796) |
| Other expenses funded by escrow account | – | – | – | – | 375 | – | 375 |
| **Operating result before working capital changes** | **12,668** | **(1,368)** | **(1,183)** | **–** | **–** | **–** | **10,117** |
| Increase in trade and other receivables | (5,555) | 1,368 | 1,183 | – | – | (6,869) | (9,873) |
| Increase in trade and other payables | 1,159 | – | – | – | – | 6,869 | 8,028 |
| **Net cash flow from operating activities** | **8,272** | **–** | **–** | **–** | **–** | **–** | **8,272** |
| **Cash flows from investing activities** | | | | | | | |
| Purchase of investment properties | (357,027) | – | – | – | – | – | (357,027) |
| **Net cash used in investing activities** | **(357,027)** | **–** | **–** | **–** | **–** | **–** | **(357,027)** |
| **Cash flows from financing activities** | | | | | | | |
| Proceeds from issue of share capital and share premium | 350,000 | – | – | – | – | – | 350,000 |
| Share issue costs | (7,000) | – | – | – | – | – | (7,000) |
| Dividend distributions | (9,677) | – | – | – | – | – | (9,677) |
| Interest paid | (1,559) | – | – | – | – | – | (1,559) |
| Loan arrangement fees paid | (1,677) | – | – | – | – | – | (1,677) |
| Cash released from restricted cash account | 28,298 | – | – | – | – | – | 28,298 |
| **Net cash generated from financing activities** | **358,385** | **–** | **–** | **–** | **–** | **–** | **358,385** |
| **Net increase in cash and cash equivalents** | 9,630 | – | – | – | – | – | 9,630 |
| Cash and cash equivalents at beginning of the period | 6,218 | – | – | – | – | – | 6,218 |
| **Cash and cash equivalents at end of the period** | **15,848** | **–** | **–** | **–** | **–** | **–** | **15,848** |

## 5. Rental income

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022, as restated £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| Amounts invoiced in accordance with lease agreements | 28,532 | 15,987 | 38,336 |
| Effect of straight-lining rent | 3,926 | 1,518 | 3,753 |
| Rent not recognised because properties were unhabitable | (2,330) | (1,368) | (2,099) |
| Lease inducement amortisation | (754) | (722) | (1,741) |
| Rental income | 29,374 | 15,415 | 38,249 |
| Impairment of lease inducement | (22,010) | – | (28,348) |
| Impairment of straight-lining rent | (5,811) | – | (2,922) |
| **Net rental income** | **1,553** | **15,415** | **6,979** |

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

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 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. During the periods ended 28 February 2023 and 2022 and the year ended 31 August 2022, the Company purchased 26, 71 and 120 assets, respectively, which have been deemed unhabitable at acquisition. Cash received of £981,000, £1,028,000, and £2,169,000 in the periods to 28 February 2023 and 2022 and the year ended 31 August 2022, respectively related to leases on unhabitable properties have been applied against the debtor established at acquisition. During the period ended 28 February 2023 and the year ended 31 August 2022, no properties were improved to a state which the Group consider habitable.

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 or approval) such that all leases with both tenants received a rent-free period with retrospective effect from 1 March 2022 to 31 August 2023 in exchange for changing the term of the lease extension option 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 or approval) such that all leases with ICDE Homes CIC received a rent-free period with retrospective effect from 1 March 2022 to 31 August 2023 in exchange for changing the lease extension agreement from five years to ten years. The Group provided for the uncollected rents for the period from 1 March 2022 to 31 August 2022 in the year to 31 August 2022 and provided for the rents invoiced in September 2022 in the period to 28 February 2023. The agreements with each tenant have been recorded as lease modifications with effect from 1 October 2022.

The Group assesses impairment of individual lease related assets, such as lease incentives and straight-line rent receivables, at the tenant level. Impairment charges of £27,821,000 and £31,270,000 were recognised during the period to 28 February 2023 and the year to 31 August 2023 respectively (period to 28 February 2022: £Nil) as tenants were experiencing financial stress from August 2022.

## 6. General and administrative and other expenses

### General and administrative expenses

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| AHRA investment advisory fees (Note 18) | 3,078 | 2,280 | 5,322 |
| Legal fees | 1,099 | 2 | 20 |
| Valuation fees | 1,082 | 317 | 764 |
| Aggregator settlement | 694 | – | – |
| Fees paid to the Group's Independent Auditor | 538 | 97 | 2,280 |
| Professional fees | 455 | 90 | 276 |
| Directors' fees | 93 | 93 | 176 |
| Other administrative expenses | 641 | 440 | 1,025 |
| **Total** | **7,680** | **3,319** | **9,863** |

Valuation fees have been allocated as a portion of the total fee recognised for the year ended 31 August 2023 and include an allocation of fees associated with a comprehensive inspection programme to support the valuation process which ran from August 2023 to May 2024.

A representative of AHRA, without the knowledge or authority of the Board, entered into a settlement agreement between the Group and various property vendors (the "Aggregators") whereby the Group paid £675,000 and purportedly waived any refurbishment claims against the Aggregators in relation to 488 properties held by the Group.

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 | Year ended 31 August 2022 £'000 |
|---|---|---|---|
| Fees payable to the Company's auditor for the audit of the company's annual accounts | 502 | 54 | 2,164 |
| Other fees payable to the Company's auditor: | | | |
| Audit of the accounts of subsidiaries | 36 | 12 | 72 |
| Audit-related assurance services: | | | |
| - Interim review | – | 31 | 44 |
| **Included in general and administrative expenses** | **538** | **97** | **2,280** |

Fees payable to the Company's auditor have been allocated as a portion of the total fee recognised for the year ended 31 August 2023.

### Other expenses

On 18 June 2021, Home REIT Plc 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 Home REIT Plc with such funds to be used as approved by two AHRA fund managers, acting without the approval or the authority of the Directors. The fund could be accessed by the two tenants, Noble Tree Foundation Limited and Big Help Project. Of the total, £375,000 was distributed in the year to 31 August 2021 with the remaining £375,000 distributed in the period to 28 February 2022 and is presented as other expense in that period.

## 7. Finance costs

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| Loan interest | 2,865 | 1,568 | 4,481 |
| Non-utilisation fees | – | 160 | 141 |
| Amortisation of loan arrangement fees | 237 | 113 | 318 |
| **Total finance costs** | **3,102** | **1,841** | **4,940** |

As discussed more fully in Note 22, Scottish Widows has imposed various Deferred Fees payable at the full and final repayment of the loans. The loans and the Deferred Fees were fully repaid in November and December 2024, respectively.

## 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 half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022 £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| Current tax | – | – | – |
| Origination and reversal of temporary differences | – | – | – |
| Total deferred tax | – | – | – |
| **Tax charge** | **–** | **–** | **–** |

The Company has not made any distributions in the six months to 28 February 2023. The Company made distributions for the 2022 financial year as documented in its PID tracker as submitted to 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 to the 2022 Consolidated Financial Statements, comprehensive income for 2021 was revised lower and the result for 2022 is a comprehensive loss. The Company agreed with HMRC that it will revise its 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 2022 (and 2021) are 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 half-year of 19 per cent to the total tax charge in the statement of comprehensive income is as follows:

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022, as restated £'000 | For the year ended 31 August 2022 £'000 |
|---|---|---|---|
| Loss before tax | (108,103) | 34,658 | (474,844) |
| Tax at the standard rate of UK corporation tax | 20,540 | (6,585) | 90,220 |
| **Effect of:** | | | |
| Revaluation of investment properties | (12,150) | 4,933 | (86,046) |
| Losses not taxed for which no benefit can be recognised | (8,390) | 1,652 | (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. With effect from 1 April 2023, the UK Corporation Tax will rise from 19% to 25%.

## 9. Investment property

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Freehold investment property at the beginning period / year | 414,270 | 320,932 |
| Property acquisitions in the period / year | 104,125 | 597,420 |
| Reclassification of first year inducement where building is considered as habitable | (5,408) | (32,001) |
| Reclassification of first year inducement where building is considered as unhabitable | (588) | (2,918) |
| Receipts relating to buildings considered as unhabitable | (427) | – |
| Prepaid Seller's Works recognised as receivable | (5,883) | (19,034) |
| Rent straight lining and lease inducement | 8,581 | 34,014 |
| Impairment of rent straight lining and lease inducement | (27,821) | (31,270) |
| Decrease in fair value of investment property | (63,949) | (452,873) |
| **Fair value at the end of the period / year** | **422,900** | **414,270** |

During the periods ended 28 February 2023 and 2022 and the year ended 31 August 2022, the Group acquired 234, 874 and 1,528 properties, respectively.

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.
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.

At 28 February 2023 and 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. 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 valuation techniques, specifically the investment approach and Market Value with a special assumption of Vacant Possession ("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 assessed the current condition of each property through a formal inspection programme (inspections occurred from August 2023 to May 2024), 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 28 February 2023 and 31 August 2022 for purposes of the valuations.

## 9. Investment property – continued

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")
- 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 and 28 February 2023, JLL computed the values as of 31 August 2023 and adjusted their opinion of those values to 28 February 2023 and 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 period 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 28 February 2023, all properties within the Portfolio were subject to a lease, albeit as discussed in Note 4, Correction of Prior Periods Errors, not all of the leases were deemed to have commenced (for the purposes of recognising revenue) as the properties were 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 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 is likely to meet their rent demands in the short-term, JLL adopted the investment approach. For those tenants, JLL capped the unexpired lease term at 5 years, despite the actual unexpired lease term being for a longer period. This is due to the lack of confidence in those tenants being able to fulfil their lease obligations beyond five years. 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 Group classifies all assets measured at fair value as below:

| Investment property | Total £'000 | Quotes prices in active markets (Level 1) £'000 | Significant observable inputs (Level 2) £'000 | Significant unobservable inputs (Level 3) £'000 |
|---|---|---|---|---|
| 28 February 2023 | 422,900 | – | – | 422,900 |
| 31 August 2022 | 414,270 | – | – | 414,270 |

The fair value of investment property at 28 February 2023 and 31 August 2022 is split between valuation techniques:

| | 28 February 2023 | | 31 August 2022 | |
|---|---|---|---|---|
| | Number of assets | Value £'000 | Number of assets | Value £'000 |
| Investment Valuation Approach | 800 | 128,840 | 1,363 | 222,380 |
| Market Value - Vacant Possession Approach | 1,673 | 294,060 | 876 | 191,890 |
| | **2,473** | **422,900** | **2,239** | **414,270** |

The following unobservable inputs were used in the valuations (figures exclude those properties valued using MV-VP):

| Passing rent and yield range | Passing rent pa £'000 | Passing rent pa range £'000 | Valuation £'000 | Valuation yield range % |
|---|---|---|---|---|
| 28 February 2023 | 15,902 | 5 - 249 | 128,840 | 6 - 42 |
| 31 August 2022 | 23,409 | 3 - 324 | 222,380 | 2.6 - 32.6 |

## 9. Investment property – continued

Sensitivities of measurement of significant unobservable inputs:

As noted above, the Group's property portfolio valuation is inherently subjective by nature. Because 1,673 of 2,473 properties (67.7% of properties) are valued using the MV-VP approach at 28 February 2023 (876 properties and 39.1% 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 moments in the property market. The table below shows the sensitivities of measurement of the Groups' investment property to those inputs, excluding those properties valued using MV-VP:

| Sensitivities | -5% in passing rent | +5% in passing rent | -100 bps in net initial yield | +100 bps in net initial yield |
|---|---|---|---|---|
| 28 February 2023 | (400,000) | 600,000 | 1,800,000 | (3,200,000) |
| 31 August 2022 | (3,300,000) | 3,600,000 | 6,900,000 | (6,800,000) |

For the valuation at 28 February 2023 and 31 August 2022, a 5% increase / decrease in MV-VP (for all properties) would increase / decrease the overall value of investment property by approximately £20,400,000 and £16,500,000, respectively. Lease incentives associated with habitable properties of £5,408,000 and £32,001,000 were allocated at each acquisition totalling 213 and 1,408 leases in the period to 28 February 2023 and the year to 31 August 2022, respectively.

## 10. Financial instruments

Set out below is a comparison of the book value and fair value of the Group’s bank borrowings. Book value includes a deduction for unamortised issuance costs. The fair value of other financial instruments not included in the comparison is equal to book value.

| Bank borrowings | Book value £’000 | Fair value £’000 |
|---|---|---|
| **28 February 2023** | **244,037** | 213,314 |
| 31 August 2022 | 245,047 | 231,746 |

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

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. When the annual report and accounts for the year to 31 August 2022 were not filed by 3 January 2023, the Company’s shares were suspended from trading. This triggered a breach of both facilities’ loan covenants and since then further breaches have occurred. Since an initial waiver letter dated 30 January 2023 was issued for the initial breaches, new waiver letters have been issued prior to the expiry of each previous waiver period. The waiver letters related 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. As discussed in Note 22, the loans were repaid in full in September and November 2024.

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 30 November 2023 or the full and final settlement of the loan. On 4 December 2023, Scottish Widows deferred the payment of the initial Deferred Fee and 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 and repayment deferred until the full and final repayment of the loans. The Deferred Fees were paid in full on 16 December 2024.

## 10. Financial instruments – continued

The Group utilises the income method to value its bank borrowings for disclosure purposes. The income approach estimates the fair value of a debt instrument by estimating the difference between contractual and market debt service payments discounted at an equity yield reflective of the risks inherent in the loan. Because the equity yield is considered an unobservable input as it requires significant judgment to determine, the valuation of Group borrowings is a Level 3 measurement under the fair value hierarchy. The Group estimated the market replacement rate to be 5.75% as at 28 February 2023 (31 August 2022: 4.78%) for Home Holdings 1 and 5.98% for Home Holdings 2 (31 August 2022: 4.97%). If the estimated equity yield were to increase or decrease by 1%, the resulting change in fair value would be a decrease / increase in the fair value adjustment of £12,254,000 and £8,764,000 (31 August 2022: £10,939,000 and £12,757,000 respectively).

## 11. Trade and other receivables

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Tenant receivables in accordance with lease agreements | 30,803 | 9,916 |
| Rent not recognised because properties were unhabitable | (2,330) | (2,099) |
| Tenant receivables | 28,473 | 7,817 |
| Other receivables | 35 | 426 |
| Prepaid expenses | 202 | 40 |
| Tenant receivables and other financial assets | 28,710 | 8,283 |
| Provision for doubtful debts | (28,479) | (1,850) |
| Net tenant receivables and other financial assets | 231 | 6,433 |
| Lease inducement receivable for unhabitable properties | – | 1,411 |
| Prepaid Seller's Works | 5,882 | 8,295 |
| **Trade and other receivables** | **6,113** | **16,139** |

All 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 losses and concluded that collection of debtors of £28,479,000 and £1,850,000 was doubtful and provided for such amounts at 28 February 2023 and 31 August 2022, respectively.

During the period from September 2021 to October 2022, debtors were settled in several non-traditional ways, including:

- 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. Certain of these settlements to transition capex obligations from vendors to tenants resulted in cash of £1,748,000 being transferred to the Group to be used to settle debtors instead of paid directly to the tenants to improve the properties. Cash in excess of outstanding debtors 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 an acquisition of properties with a 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 receipts of cash were used to settle specific debtors from specific tenants in relation to rents invoiced during the year ended 31 August 2022, 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 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 transactions.

## 11. Trade and other receivables – continued

### Prepaid seller's works

A portion of the purchase price in the amount of £5,883,000 and £19,034,000 were allocated to Seller's Works in the period ended 28 February 2023 and the year ended 31 August 2022, respectively. This is the estimated amount of capital expenditures required by the vendor to improve the properties to a lettable standard. In the period 28 February 2023 and the year ended 31 August 2022, £8,296,000 and £11,922,000 was written off when the Vendor did not complete the Seller's Works by the SWLD.

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Prepaid Seller's Works at beginning of the period/year | 8,295 | 1,183 |
| Prepaid Seller's Works recognised as receivable during the period/year | 5,883 | 19,034 |
| Write-off of Seller's Works not initiated or completed | (8,296) | (11,922) |
| **Prepaid Seller's Works at the end of the period/year** | **5,882** | **8,295** |

### Lease inducement for unhabitable properties

A portion of the purchase price in the amount of £588,000 in the period ended 28 February 2023 (year ended 31 August 2022: £2,918,000) was allocated to a lease receivable for unhabitable properties in lieu of a lease inducement because the associated properties were not considered habitable at acquisition. In the period ended 28 February 2023, £981,000 (year ended 31 August 2022: £2,169,000) of cash was received associated with the leases associated with unhabitable properties. In the period to 28 February 2023, the remaining balance of £1,018,000 was considered impaired and written off (2022: nil).

## 12. Cash reserves

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Cash held in Lockbox accounts | 38,881 | 73,115 |
| Cash held by solicitors for property acquisitions | – | 18,260 |
| Retentions held by solicitors | 7,507 | 10,468 |
| Restricted cash held by third parties | 46,388 | 101,843 |
| Cash and cash equivalents | 8,888 | 74,514 |
| **Total cash reserves** | **55,276** | **176,357** |

Of the cash held in Lockbox accounts as at 28 February 2023, £30,000,000 was applied against the outstanding principal balance of the loans in April 2023 and the balance of £8,881,000 was applied against the outstanding principal balance in December 2023. In the period to 28 February 2023, £34,234,000 was released to the Group when approved security was provided to the Lender.

In period to 28 February 2023, retentions of £1,121,000 (year ended 31 August 2022: £12,089,000) were withheld from the acquisition of properties. In the period to 28 February 2023, AHRA authorised the release of £4,082,000 (year ended 31 August 2022: £5,282,000) of retentions to Vendors.

Cash of £18,260,000 which was held by the Group's solicitors at 31 August 2022 was used to complete investment property acquisitions in the period to 28 February 2023.

## 13. Trade and other payables

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Trade creditors | 649 | 375 |
| Accrued expenses | 5,171 | 4,938 |
| Retentions payable | 7,507 | 10,468 |
| **Total trade creditors and accrued expenses** | **13,327** | **15,781** |

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.

## 13. Trade and other payables - continued

Retentions payable are amounts due to Vendors when they complete property improvements which were agreed in the original SPA. See Note 12 for more information on retentions.

## 14. Share Capital

| | As at 28 February 2023 Number | As at 31 August 2022 Number |
|---|---|---|
| Balance at the beginning of the period/year | 790,570,465 | 240,570,465 |
| Further shares issued during the period/year | – | 550,000,000 |
| Balance at end of the period/year | 790,570,465 | 790,570,465 |

Share capital is the nominal amount of the Company's shares in issue.

On 27 September 2021 the Company raised £350 million through an initial issue of 321,100,917 New Ordinary Shares at an issue price of 109 pence per New Ordinary 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.

## 15. Share premium account

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Balance at the beginning of period/year | 595,733 | – |
| Share premium arising on equity issuance | – | 607,734 |
| Share issue costs | – | (12,001) |
| **Balance at end of the period/year** | **595,733** | **595,733** |

The share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions.

## 16. Special distributable reserve

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| Balance at the beginning of period/year | 201,040 | 229,360 |
| Dividend distribution | (10,910) | (28,320) |
| **Balance at end of the period/year** | **190,130** | **201,040** |

The special distributable represents the cancelled share premium (from the initial share issuance) less dividends paid from this reserve. This is a distributable reserve.

## 17. 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 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 Group's accounting policy is that interim dividends should be recorded as paid so the dividend would have been presented in the 2023 and not the 2022 Consolidated Financial Statements. While the amount is quantitatively material, the Directors consider that the most recent NAV is most important to users of the financial statements, and correcting for this error would have no impact on the NAV as of 28 February 2023. There was no impact on compliance with debt covenants (see Note 10) or other rules and regulations, or compensation to any part. Accordingly, the Directors have not corrected this error by posting a prior period adjustment in these financial statements.

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.

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. Of this dividend, 0.10 pence was paid as a non-property income distribution. The remaining balance of 1.27 pence was paid as property income distribution.

## 17. Dividends – continued

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.

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 16) which could cover any imprecision in AHRA's estimates. However, if the full information on the material corrections made to these financial statements were provided to the Board at the time of approving the distributions, they would not have been approved.

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.

## 18. Related party transactions

### Investment Adviser

AHRA was appointed as the investment adviser to the Group by entering into the IAA. Under this agreement, AHRA was to advise the Group in relation to the management, investment and reinvestment of the assets of the Group. Prior to 30 December 2022, AHRA was a subsidiary of Alvarium RE Limited (now AlTi RE Limited ("AlTi RE")). 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.

Initially, the IAA could be terminated on 12 months' written notice, such notice was 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 directors of Home REIT and AHRA agreed to terminate the IAA with effect from 30 June 2023.

Under the IAA, the investment advisory fees were 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 period ended 28 February 2023, the Group incurred fees of £3,493,000 (period ended 31 February 2022: £2,280,000 and year ended 31 August 2022: £5,322,000), offset by credits negotiated by the Directors of £415,000, for a net expense of £3,078,000 in the period to 28 February 2023. At 28 February 2023, an amount of £167,000 was unpaid (28 February 2022: £414,000 and 31 August 2022: £582,000).

### Investment Manager

On 22 May 2023, AEW was appointed as Property Advisor for the Transition Period and subsequently on 21 August 2023, on expiry of the Transition Period as AIFM and Investment Manager (see further discussion in AIFM section 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. The adoption of the Amended Investment Policy;
2. FCA approval of the appointment of AEW as AIFM for the Company; and
3. AHRA and Alvarium FM ceasing to act for the Group.

During the Transition Period, AEW was paid £3,000,000 per annum. AEW is paid an annual fee in Phase 1, computed as follows:

1. A fixed fee of £3,000,000 from the commencement of Phase 1 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 Company from its investments.

## 18. Related party transactions - continued

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

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. Under the terms of the IMA, Alvarium FM was appointed as the AIFM to the Group. 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, exclusive of value added tax. 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 a component of the Investment Manager fee discussed above.

### 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. No fees were paid in the period to 28 February 2023. During the year ending 31 August 2022, the Group incurred additional fees of £10,413,457, of which £5,751,568 was incurred and paid in the period to 28 February 2022, from Alvarium Securities in relation to equity raises in September 2021 and May 2022. These costs have been treated as a reduction in equity as share issue costs. Alvarium Securities resigned on 8 February 2023.

### 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 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 periods ended 28 February 2023 and 2022, Directors’ fees of £88,000 were incurred (year ended 31 August 2022: £176,000), of which none was payable at 28 February 2023 or 2022 or 31 August 2022.

As detailed in the Prospectus, the Directors subscribed for the below Shares at 100 pence per Share during the Group’s IPO and have therefore held (and continue to hold) beneficial interests in these Shares since Admission.

| | 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 |

## 19. Contingent liabilities

Harcus Parker Limited, a law firm specialising in claimant group actions, is 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 who were in office at the time when the Company's shares were suspended (the "Director Defendants");
- AHRA;
- Alvarium FM; and
- AlTi RE Limited, 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 investors 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 Director Defendants intend vigorously to defend the threatened claims. The Company and Directors have sent a lengthy and detailed letter of response to Harcus Parker.

## 19. Contingent liabilities – continued

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 AlTi RE on 12 April 2024, and to AHRA on 29 May 2024.

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 actions may be taken.

## 20. Loss / earnings per share

Loss / earnings per share is calculated by dividing loss or profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue for the periods ended 28 February 2023 and 2022 and year ended 31 August 2022. Amounts shown below are both basic and diluted measures as there were no dilutive instruments in issue throughout the periods.

| | For the half-year ended 28 February 2023 £'000 | For the half-year ended 28 February 2022, as restated £'000 | Year ended 31 August 2022 £'000 |
|---|---|---|---|
| **(Loss) / earnings (£'000)** | **(108,103)** | **34,658** | **(474,844)** |
| Weighted average number of Shares in issue during the period / year | 790,570,465 | 515,546,387 | 597,120,672 |
| **(Loss) / earnings per share (pence)** | **(13.67)** | **6.72** | **(79.52)** |

## 21. 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 Company by the number of ordinary 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.

| | As at 28 February 2023 £'000 | As at 31 August 2022 £'000 |
|---|---|---|
| **NAV (£'000)** | **226,925** | **345,938** |
| Number of Shares ('000) | 790,570 | 790,570 |
| **NAV per Share** | **28.70p** | **43.76p** |

## 22. Post balance sheet events

### Change In Strategy

On 21 August 2023, Shareholders approved the Amended Investment Policy which introduced a stabilisation period of two years in order to maximise income and capital returns to ensure a solid financial base which provided for more diversified forms of residential use.

On 16 September 2024, Shareholders approved the New Investment Policy which is intended to allow the Company to realise all the assets in the property portfolio in an orderly manner.

*Investment Advisor and AIFM*

On 15 March 2023, the Company agreed with AHRA to terminate the IMA 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 its Amended Investment Policy. On 21 August 2023, Alvarium FM ceased to act as AIFM after shareholders approved the Amended Investment Policy and the Board of 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. From 14 January 2025, Peter succeeded Simon Moore as Chair of the Management Engagement Committee.

On 7 June 2024, the Company announced the appointment of Rod Day as an independent non-executive director with immediate effect. From 14 January 2025, Rod succeeded Marlene Wood as Chair of the Audit Committee.

With the publication of the 2023 Annual Report and Accounts on 14 January 2025, Peter Cardwell, Lynne Fennah, Simon Moore and Marlene Wood stepped down from the Board.

### Acquisitions and disposals

From 1 September 2022 to 30 November 2022, the Group acquired 234 new assets totalling £104,125,000 (including purchase costs) of which £5,883,000 related to Seller's Works due to be completed by the vendor.

From 4 August 2023 to 3 April 2025, the Group exchanged on the sale of 1,622 properties for net sales proceeds of £244,260,000, of which 1,615 properties had completed with net sales proceeds of £243,523,000. The properties were valued at £254,331,000 in the 28 February 2023 Consolidated Statement of Financial Position. As at 3 April 2025, 7 properties have exchanged but not completed with a total sales value of £737,000.

### Restricted cash

Of the cash held in lockbox accounts as at 28 February 2023, £30,000,000 was applied against the outstanding borrowings in May 2023 and the balance of £8,881,000 was applied against the outstanding borrowings in December 2023.

Of the retentions held by solicitors, £3,288,000 has been released to the Company since 28 February 2023.

## 22. Post balance sheet events - continued

### Announcement of the Findings of Alvarez & Marsal Disputes and Investigations, LLP

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 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 authority of the Board, entering into a settlement agreement on 8 December 2022 between the Group and various property vendors (the "Aggregators") and the Company paying £675,000 and purportedly waiving 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 (as discussed in Note 11);
- 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

A number of tenants have surrendered leases or gone into creditors voluntary liquidation. Of leases associated with the tenants in place in the 2,437 properties owned by the Group on 28 February 2023, 73 are still in in place, 392 properties have been turned over to a property manager and the Group has direct leases with the occupants, 393 are re-tenanted and 1,615 have been sold.

On 16 December 2024, the Group settled a dispute with a tenant which required an initial payment of £680,000 and an additional amount of £45,000, which were paid after the tenant met certain conditions in February 2025.

### Other Advisor Updates

The Company terminated its relationship with Smith Square Partners as financial advisor with effect from 24 November 2023.

On 5 July 2023, the Company engaged Liberum as capital markets adviser.

### Lender Discussions

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 loans.

As a result of the property sales discussed above and application of lockbox amounts against the loan balance, the £120,000,000 loan was repaid in full on 25 September 2024, the £130,000,000 was repaid in full on 27 November 2024, and the Deferred Fees were paid on 16 December 2024.

## 22. Post balance sheet events - continued

### 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. 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

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).

## 23. Controlling parties

There is no ultimate controlling party of the Group.

## Additional Information

### Appendix 1 – Regulatory News Services Announcements 1 September 2022 to 3 April 2025

| Date | Title | Key |
|---|---|---|
| 13-Sep-22 | **Home REIT acquires 158 properties for £57.4m**<br>Acquired 158 properties for an aggregate purchase price of £57.4m | PROP |
| 01-Nov-22 | **Trading update**<br>Circle Housing, a tenant was placed into voluntary administration in July 2022<br>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**<br>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**<br>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**<br>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**<br>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**<br>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**<br>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**<br>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**<br>Alvarium Securities resigned as broker and the agreement with Jefferies was terminated. Smith Square Partners LLP appointed as Financial Advisers on 13 February 2023.<br>For the quarter ending November 2022, only 23% of rent has been collected.<br>The Board is considering all strategic options including the possible sale of the Company. The Company received an unsolicited approach from Bluestar Group Limited.<br>A&M instructed to investigate allegations of wrongdoing in early January 2023 | SP, SN, IA |
| 06-Mar-23 | **Tenant update**<br>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**<br>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.<br>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 |
| 16-Mar-23 | **Extension of PUSU deadline**<br>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**<br>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. | IA, SN, F |

| Date | Title | Key |
|---|---|---|
| | 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.<br>The Board has recently received an initial draft of A&M's report on its investigation findings. | |
| 13-Apr-23 | **Further extension of PUSU deadline**<br>The Takeover Panel has consented to an extension. | SN |
| 11-May-23 | **Response to announcement by Bluestar**<br>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**<br>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**<br>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.<br>Key findings:<br>• Arrangements for the refurbishment of properties were not brought to the Board's attention by the Investment Adviser.<br>• Settlement of rent arrears and arrangements with tenants were not brought to the Board's attention by the Investment Adviser.<br>• Ongoing monitoring of tenants was limited by the Investment Adviser.<br>• Information provided to The Good Economy by the Investment Adviser was inaccurate | IA |
| 28-Jul-23 | **Notice of General Meeting**<br>Circular published containing details of proposed amendments to the Company's Original Investment Policy<br>The Company has appointed JLL as its new property valuer | SN, INV, SP |
| 02-Aug-23 | **Tenant update**<br>Redemption Project CIC, a tenant making up 11% of rent demanded in June, has entered into a CVL<br>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**<br>Exchanged on the sale of 40 properties for gross proceeds of £4.8m | PROP |
| 21-Aug-23 | **Result of General Meeting**<br>Shareholders approved the Amended Investment Policy.<br>AEW has been appointed as the Company's AIFM and Investment Manager with immediate effect | INV, IA |
| 23-Aug-23 | **Transfer of sub-leases**<br>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**<br>JLL to undertake valuations as at 31 August 2022, 28 February 2023 and 31 August 2023<br>Vibrant Energy Matters appointed to inspect all 2,473 properties<br>Revised accounting policies for lease income recognition and acquisition accounting are being finalised<br>The Board has initiated a formal and phased succession process. | SP, RES, D |
| 07-Sep-23 | **Tenant update**<br>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**<br>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 |

| Date | Title | Key |
|---|---|---|
| 29-Sep-23 | **Property Sales**<br>Exchanged on the sale of 137 properties for gross proceeds of £22.8m | PROP |
| 02-Oct-23 | **Monthly Update**<br>Repayment of £3.8m of debt | F |
| 06-Nov-23 | **Monthly Update**<br>Exchanged on the sale of a further 14 properties for £9.0m on 2 November 2023 | PROP |
| 09-Nov-23 | **Property Sales**<br>Exchanged on the sale of 153 properties for gross proceeds of £24.3m | PROP |
| 28-Nov-23 | **Surrender of leases**<br>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**<br>Marigold Housing, which leases 15 properties representing 0.9% of rent demanded in November, entered into liquidation on 15 November 2023.<br>Repayment of £17.9m of debt.<br>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**<br>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**<br>JLL has issued draft valuation report as at 31 August 2023, 28 February 2023 and 31 August 2022<br>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**<br>Repayment of £25.6m of debt | F |
| 18-Jan-24 | **Directorate Change**<br>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 of the Company's financial results. | D |
| 24-Jan-24 | **Property Sales**<br>Exchanged on the sale of 103 properties for gross proceeds of £6.6m | PROP |
| 05-Feb-24 | **Monthly Update**<br>Repayment of £9.9m of debt | F |
| 13-Feb-24 | **Notification of Investigation by the FCA**<br>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**<br>Exchanged on the sale of 117 properties for gross proceeds of £5.6m | PROP |
| 05-Mar-24 | **Monthly Update**<br>Repayment of £13.7m of debt<br>The Company intends to bring legal proceedings against those parties it considers are responsible for wrongdoing | F, L |
| 28-Mar-24 | **Property Sales**<br>Exchanged on the sale of 63 properties for gross proceeds of £6.1m | PROP |
| 02-Apr-24 | **Directorate Change**<br>Appointment of Peter Williams as Senior Independent Non-Executive Director | D |
| 04-Apr-24 | **Monthly Update**<br>Repayment of £5.1m of debt | F |
| 18-Apr-24 | **Update on Potential Litigation**<br>The Company has recently issued a comprehensive response to a pre-action letter of claim received from Harcus Parker on behalf of certain shareholders.<br>The Company recently issued pre-action letters of claim to Alvarium FM and AlTi RE. | L, IA |

| Date | Title | Key |
|---|---|---|
| 19-Apr-24 | **Property Sales**<br>Exchanged on the sale of 65 properties for gross proceeds of £15.9m | PROP |
| 07-May-24 | **Monthly Update**<br>Repayment of £3.9m of debt | F |
| 10-May-24 | **Property Sales**<br>Exchanged on the sale of 76 properties for gross proceeds of £14.6m | PROP |
| 29-May-24 | **Agreement Secured For Surrender Of Leases**<br>Agreement with Big Help for the surrender of its leases on over 600 properties | T |
| 04-Jun-24 | **Tenant Update**<br>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**<br>Repayment of £8.3m of debt<br>The Company has now issued a pre-action letter of claim to AHRA. | F<br>IA |
| 07-Jun-24 | **Directorate Change**<br>Appointment of Rod Day as Independent Non-Executive Director. Rod will in due course Chair the Audit Committee. | D |
| 17-Jun-24 | **Update on Re-financing**<br>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**<br>Exchanged on the sale of 133 properties for gross proceeds of £11.36m. | PROP |
| 28-Jun-24 | **Publication of Accounts**<br>Further delay to the publication of Annual & Interim Reports now expected for August 2024. | RES |
| 03-Jul-24 | **Monthly Update**<br>Repayment of £17.1m of debt<br>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**<br>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**<br>Exchanged on the sale of 226 properties for gross proceeds of £26.5m. | PROP |
| 05-Aug-24 | **Monthly Update**<br>Repayment of £8.5m of debt.<br>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**<br>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**<br>Agreement with Mansit Housing for the surrender of its leases on 68 properties. | T |
| 23-Aug-24 | **Notice of General Meeting**<br>Circular published containing details of proposed amendments to the Company’s New Investment Policy. | SN, INV |
| 30-Aug-24 | **Property Sales**<br>Exchanged on the sale of 101 properties for gross proceeds of £18.5m. | PROP |
| 05-Sep-24 | **Monthly Update**<br>Repayment of £12.2m of debt. | F |
| 16-Sep-24 | **Result of General Meeting**<br>Shareholders approved the ordinary resolution for the Managed Wind-Down strategy. | SN, INV |

| Date | Title | Key |
|---|---|---|
| 30-Sep-24 | **Property Sales**<br>Exchanged on the sale of 200 properties for gross proceeds of £36.9m. | PROP |
| 11-Oct-24 | **2022 Annual Report and Accounts**<br>The 2022 results reflect a substantial loss and decrease in NAV for the period.<br>NAV per share reduced by 57.5% to 43.76 pence (2021 restated: 103.03 pence)<br>Loss before tax of £474.8m (restated 2021: £16.1m profit before tax) | RES |
| 14-Oct-24 | **Monthly Update**<br>Repayment of £21.8m of debt. | F |
| 23-Oct-24 | **Property Sales and Debt Repayment Update**<br>Exchanged on the sale of 152 properties for the gross proceeds of £26.8 million. | PROP |
| 8-Nov-24 | **Notice of General Meeting**<br>The Company has published a Notice of General Meeting to be held at the offices of Panmure Liberum, Level 12 Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY on 5 December 2024 at 10:00am | SN |
| 18-Nov-24 | **Change in Registered Office**<br>Registered office will be 4th Floor, 140A Aldersgate Street, London, EC1A 4HY with effect from 18 November 2024. | SN |
| 28-Nov-24 | **Repayment Debt**<br>Following completion of property sales in November, the Group made a final repayment of debt in the amount of £28.6 million. | F |
| 4-Dec-24 | **Response to announcement from Southey Capital Ltd**<br>The Company acknowledged the announcement of Southey Capital Ltd. concerning a tender offer for the Company's Shares at 4 pence per Share. | RTP |
| 5-Dec-24 | **Result of General Meeting**<br>Shareholders voted against the approval of the 2022 Annual Report and Accounts and in favour of the Directors' Remuneration Report. | SN |
| 24-Dec-24 | **Debt Repayment, Tenant and Accounts Update**<br>The Company announced that all Deferred Fees had been paid and remaining properties released as collateral by the Lender and that it had agreed a surrender on<br>171 properties with LTG Vision. The Company also announced that it would file this 2023 Annual Report and Accounts in January 2025. | F, T, RES |
| 14-Jan-25 | **Publication of the 2023 Annual Report & Accounts**<br>The Annual Report and Accounts for the year ended 31 August 2023 was made available on the website. Additionally, as previously announced Peter Cardwell, Lynne Fennah, Simon Moore and Marlene Wood stepped down from the board with the publication of the 2023 accounts. | RES |
| 27-Jan-25 | **Notice of Annual General Meeting**<br>The Company has published a Notice of Annual General Meeting to be held at the offices of FTI to be held on 20 February 2025. | SN, INV |
| 20-Feb-25 | **Issuance of Trading Statement**<br>The Board provided a trading statement in advance of the Company's Annual General Meeting to be held later that day. | RES |
| 20-Feb-25 | **Results of Annual General Meeting**<br>Shareholders approved the 2023 Report & Accounts; the Directors' Remuneration Report; the Directors' Remuneration Policy; the election of Roderick Day, Michael O'Donnell and Peter Williams as directors as the Company; the re-appointment of BDO as auditor; the authorisation of the Directors to approve BDO's remuneration; and the four Special Resolutions. | SN, INV |

* Purchase price including acquisition costs

** Correction: the RNS announcement dated 18 April 2024 referred to AlTi 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 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.

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 December 2024) with respect to the Managed Wind-Down and the repayment of the Group's borrowings.

Due to information that came to light, as detailed on pages 6 and 7, 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 was maintained until repayment of bank debt. Forecasted cashflows for the following 15 months are updated regularly by AEW and discussed with the Board at monthly meetings.

### 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

### AlTi 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 the 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 readmitted 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

**FY24**

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 lawfirm 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

**HY23**

Period from 1 September 2022 to 28 February 2023

**HY24**

Period from 1 September 2023 to 29 February 2024

**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 stabilizing 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

### Non-Executive Directors

Michael O'Donnell (Chair)
Peter Williams
Roderick ('Rod") Day

### Registered office

4th Floor
140 Aldersgate Street
London
EC1A 4HY

### Investment Manager & AIFM

AEW UK Investment Management LLP
8 Bishopsgate
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### Company Secretary and Administrator

Apex Fund and Corporate Services (UK) Limited
4th Floor
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London
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### Capital Markets Adviser

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### Communications adviser

FTI Consulting
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London
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### Depositary

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### Registrar

Link Asset Services
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### Independent valuer

Jones Lang LaSalle Limited
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### Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

### Legal advisers

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