

Pinnacle Residential Fund

Unaudited Consolidated Interim Financial Statements

For the six months ended 30 September 2021

Pinnacle Residential Fund

Unaudited Consolidated Interim Financial Statements For the six months ended 30 September 2021

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Pinnacle Residential Fund

General Information

| | |
|----------------------------|-----------------------------------------------------------------------------------------------------------------|
| Manager: | Pinnacle Investment Management Limited 11 New Street St Peter Port Guernsey GY1 2PF |
| Administrator: | Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG |
| Sub-Registrar: | Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG |
| Investment Advisor: | Pinnacle Investments (Holdings) Limited 8th Floor Holborn Tower 137-144 High Holborn London, WC1V 6PL |
| Trustee: | Vistra Fund Services (Guernsey) Limited P.O. Box 91 11 New Street St Peter Port Guernsey GY1 3EG |
| Auditor: | Grant Thornton Limited Lefebvre House Lefebvre Street St Peter Port Guernsey GY1 3TF |
| Trustee Oversight: | Aspida Group Limited Tudor House Le Bordage St Peter Port Guernsey GY1 1DB |

Pinnacle Residential Fund

Manager's Report

For the six months ended 30 September 2021

The Manager presents its interim report and unaudited consolidated financial statements of Pinnacle Residential Fund (the "Fund") ⁽¹⁾ for the six months ended 30 September 2021.

Manager's Responsibilities

The Manager's responsibilities are set out on page 4.

The Trust Structure

The Fund is a Guernsey domiciled open-ended unit trust constituted under a Trust Instrument made between D&G Investment Management Limited as the Manager and Kleinwort Benson (Guernsey) Limited as the Trustee and dated 18 January 2007. On 24 September 2019, a Supplemental Trust Instrument was made between Pinnacle Investment Management Limited (formerly D&G Investment Management Limited) as the Manager and Vistra Fund Services (Guernsey) Limited as the new Trustee. The Fund was authorised by the Guernsey Financial Services Commission on 28 December 2006 as a Class B Scheme, under the Collective Investment Schemes (Class B) Rules, as amended in 2013 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

On 26 February 2020, pursuant to the Limited Partnership Agreement, PRF (Guernsey) Ltd (the 'General Partner') and the Trustee established a Limited Partnership under the name of PRF (Guernsey) LP (the 'Partnership'), registered as a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law, 1995. On 28 June 2021, pursuant to section 30(8)(a) of the Law, PRF (Guernsey) LP (the 'Partnership') was dissolved.

On 27 February 2020, pursuant to Section 6(2) of the Trusts Law, the Manager and the Trustee established the PRF Bedford Unit Trust (the 'Sub-Trust'). The objective of the Sub-Trust is to acquire, hold, lease, realise and deal in real estate in the United Kingdom.

The Fund is the sole limited partner and has invested in the Partnership, who in turn has invested in the units of the Sub-Trust. Consequently, the Fund has 100% ownership of both entities. The consolidated financial statements consist of the Fund, the Partnership and the Sub-Trust. The Fund, the Partnership and the Sub-Trust are collectively referred to as the 'Fund'.

Following a resolution passed at an Extraordinary General Meeting ('EGM') held on 3 June 2019, all redemptions of Units were suspended for an 18 month period beginning 24 September 2019. The redemption suspension was lifted on 24 March 2021 and units were redeemed on the same date.

Investment Objective and Policy

The Fund aims to provide investors with an attractive, stable income return with good prospects for both income and capital growth. This will strike a balance between total return and income return.

Principal Activity

The principal activity of the Fund is the acquisition and holding of a geographically diversified portfolio of residential assets on a 'granular' basis. The Fund will predominantly target existing residential assets in well-connected urban areas, where the pipeline of new housing supply is significantly lower than the forecast population growth.

Net Asset Value

The International Financial Reporting Standards ('IFRS') net asset value of the Fund at 30 September 2021 was £6,853,285 (31 March 2021: £7,200,800), equating to a net asset value per unit of £0.14 (31 March 2021: £0.14). The IFRS net asset value has been reconciled to the dealing net asset value as at 30 September 2021 in note 26.

Gains and Losses

The net loss for the Fund for the six months period ended 30 September 2021 was £344,923 (30 September 2020: £292,690).

(1) The Manager uses the terms "Fund" and "Trust" interchangeably throughout this document. The Manager acknowledges that the terms may have different nuances but these distinctions are not relevant to Pinnacle Residential Fund.

Pinnacle Residential Fund

Manager's Report (continued) For the six months ended 30 September 2021

Distributions

The Unaudited Consolidated Statement of Total Comprehensive Income of the Fund is set out on page 7. The Manager did not propose any distribution for the six months period ended 30 September 2021 (30 September 2020: £Nil).

Distribution Policy

In previous years, the Fund had applied to Her Majesty's Revenue and Customs ('HMRC') to be treated as a Reporting Fund, however as of 1 June 2021, the Fund meets the conditions to be treated as a Non-Reporting Fund, owing to its transparent status for income tax purposes. Whilst a Reporting Fund has obligations to HMRC, a Non-Reporting Fund has no obligations to HMRC for UK tax purposes.

The Fund has given notice to HMRC to withdraw from the Reporting Fund regime, such that the Reporting Fund regulations will cease to apply to the Fund. On the basis the withdrawal is successful, the Fund is only required to report to the Fund's UK Unitholders for each reporting period either by post or electronically.

The Trustee intends to distribute to Unitholders income after payment and provision for any Revenue Expenses and the deduction of any Withholding Tax (if applicable). Distributions will generally be made as soon as practicable after the end of the Fund's financial year which is 31 March in each year. Income distributions will be paid in compliance with the Class B Rules. No distribution shall bear interest against the Fund.

Directors' of the Manager

The remuneration to the Directors of the Manager for the six months ended 30 September 2021 was £22,005 (30 September 2020: £20,717).

Stephen Yorke resigned as director of the Manager on 23 September 2021.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk, in particular cash requirements and the ongoing obligations of the banking covenants.

After due consideration the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of the consolidated financial statements, and as such it is deemed appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The Directors of the Manager remain confident that the going concern basis remains appropriate.

COVID-19

The SARS-CoV-2 coronavirus (COVID-19) has continued to cause disruption to businesses and economic activity within the UK and across the world. As the pandemic enters a third wave in the UK, though vaccine protection is of significant benefit, the quantum of the impact of the pandemic on the day-to-day operations of the Fund is minimal by virtue of the Directors of the Manager operating predominantly from home offices and the Fund's Administrator having successfully implemented measures to allow its staff to do likewise.

As the pandemic continues the quantum of the effect is difficult to determine and could be material, however the Directors of the Manager are monitoring the situation do not expect further negative impact as a result of COVID-19 but are cognisant of the risk of future pandemics which may have renewed impact should such materialise.

Approved by the Board of Directors of the Manager and signed on its behalf by:

Quentin Spicer
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

John Whittle
Director

Date: 31 January 2022

Pinnacle Residential Fund

Statement of Manager's Responsibilities For the six months ended 30 September 2021

The Manager is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund, for safeguarding the assets of the Fund, for taking reasonable steps for the prevention and detection of fraud and other irregularities, and for the preparation of a Manager's Report which complies with the requirements of The Authorised Collective Investment Schemes (Class B) Rules, 2013 made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

The Manager is responsible for preparing the consolidated interim financial statements in accordance with The Authorised Collective Investment Schemes (Class B) Rules, 2013 made under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Supplemental Trust Instrument. The Manager has chosen to prepare consolidated financial statements for the Fund in accordance with IFRS as issued by IASB.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the entity's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. A fair presentation also requires the Manager to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Fund's ability to continue as a going concern.

Approved by the Board of Directors of the Manager and signed on its behalf by:

Quentin Spicer
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

John Whittle
Director

Date: 31 January 2022

Pinnacle Residential Fund

Investment Review

For the six months ended 30 September 2021

The period under review was a watershed. It saw the sale of the two remaining legacy properties, the repayment of the RBSI debt and the releasing of the equity to acquire another yielding asset. The Fund is now free from the constraints of the previous strategy, allowing full focus on the strategy approved by investors in 2019, acquiring higher volume, lower value, higher yielding assets.

We must take the opportunity to thank our investors for their patience whilst this transition took place. When we took over the management of the Fund in September 2019, we were not alone in not foreseeing the global pandemic that started to emerge only a few months later. Indeed it was against the backdrop of day one of the first UK lockdown, in March 2020, that we acquired our first asset under the new strategy. Our confidence in the defensiveness of the asset, the market fundamentals and our operating capability in leasing up the asset in uncertain times proved well placed as the expected rents were delivered.

Against the macro-economic headwinds of the pandemic and the consequential impacts, in particular, on business travel and inward investment in the UK, our ability to raise funds and also sell the prime Central London legacy properties into a frozen market at acceptable prices, was stifled, constraining available equity.

However, we can now look to the future with additional confidence. With the defensive characteristics rigorously tested, it is now time to be on the front foot and build out the portfolio as intended. Not only has the Bedford asset passed the test during the lockdown periods, rents increased 12% from the expectations at time of the acquisition to the end of the review period, with a resultant 10% capital appreciation in the value of the asset, and additional growth in the period since. To that end we are looking to complete two further acquisitions in the coming months and in doing so we will move closer to rewarding our investors' patience with the Fund's first distribution and returning the Fund to overall growth. It is worth noting that asset prices in prime central London have declined over the same period.

As the UK, and much of the developed world, opens up and learns to live with coronavirus, the Fund is well positioned to attract additional investment. We now have a more tax efficient structure; we have a clearer investment proposition following the legacy asset sales; we have proven capabilities in sourcing and operating quality yielding assets; we have a technology led operating model; and we have a strong pipeline of opportunities. With an additional focus on cost control and an opportunity to refinance our facility, we are excited by the Fund's ability to attract investment in exchange for good quality, attractive returns.

Finally, we would like to acknowledge the departure of the Fund's co-founder Stephen Yorke from the Board, following the ending of the transitional arrangements, who leaves with our best wishes for the future.

Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

Pinnacle Residential Fund

Property Portfolio As at 30 September 2021

| Investment Properties | Market Value £ | Percentage of Total Assets |
|------------------------------------------------|------------------------|-------------------------------|
| The Residence, Lurke Street, Bedford, MK40 3FJ | 7,757,175 | 67.49% |
| | <hr/> 7,757,175 | <hr/> 67.49% |
| Cash | 3,489,556 | 30.36% |
| Other assets | <hr/> 246,973 | <hr/> 2.15% |
| Total assets | <hr/> <hr/> 11,493,704 | <hr/> <hr/> 100.00% |

Pinnacle Residential Fund

Unaudited Consolidated Statement of Total Comprehensive Income For the six months ended 30 September 2021

| | Notes | 30 September 2021 £ | 30 September 2020 £ |
|--------------------------------------------------|-------|----------------------------|----------------------------|
| Revenue | 7 | 242,413 | 208,600 |
| Property operating expenses | 8 | <u>(85,625)</u> | <u>(84,730)</u> |
| Net rental income | | 156,788 | 123,870 |
| Net realised loss on sale of investment property | 14 | <u>(144,134)</u> | <u>-</u> |
| Net losses on investment properties | | 12,654 | 123,870 |
| Administrative expenses | 9 | <u>(241,274)</u> | <u>(213,604)</u> |
| Operating loss | | (228,620) | (89,734) |
| Finance income | 10 | 2 | 98 |
| Finance costs | 11 | <u>(116,305)</u> | <u>(203,054)</u> |
| Net loss for the period | | <u>(344,923)</u> | <u>(292,690)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive loss for the period | | <u><u>(344,923)</u></u> | <u><u>(292,690)</u></u> |
| Basic and diluted loss per unit | 24 | <u><u>(0.69) pence</u></u> | <u><u>(0.57) pence</u></u> |

The notes on pages 11 to 30 form an integral part of these unaudited consolidated interim financial statements.

Pinnacle Residential Fund

Consolidated Statement of Financial Position As at 30 September 2021

| | | 30 September 2021 Unaudited £ | 31 March 2021 Audited £ |
|---------------------------------------------------------------------------------------------|--------|-------------------------------------|-------------------------------|
| | Notes | | |
| Non-current assets | | | |
| Investment properties | 12 | 7,757,175 | 7,753,487 |
| | | <u>7,757,175</u> | <u>7,753,487</u> |
| Current assets | | | |
| Trade and other receivables | 15 | 246,973 | 163,926 |
| Restricted cash | 16 | - | 368,817 |
| Cash and cash equivalents | 17 | 3,489,556 | 373,583 |
| | | <u>3,736,529</u> | <u>906,326</u> |
| Investment properties held for sale | 13 | - | 7,313,288 |
| Total assets | | <u>11,493,704</u> | <u>15,973,101</u> |
| Current liabilities | | | |
| Borrowings | 20 | - | 3,688,174 |
| Trade and other payables | 18 (a) | 93,155 | 453,936 |
| Deferred revenue | 19 | 37,830 | 25,881 |
| Loan interest due | 20 | 43,404 | 51,269 |
| | | <u>174,389</u> | <u>4,219,260</u> |
| Non-current liabilities | | | |
| Management fee | 18 (b) | 261,030 | 348,041 |
| Unit-based payments | | 5,000 | 5,000 |
| Borrowings | 20 | 4,200,000 | 4,200,000 |
| | | <u>4,466,030</u> | <u>4,553,041</u> |
| Total liabilities (excluding net assets attributable to holders of redeemable units) | | <u>4,640,419</u> | <u>8,772,301</u> |
| Net assets attributable to holders of redeemable units | | <u>6,853,285</u> | <u>7,200,800</u> |
| Represented by: | | | |
| Number of redeemable units in issue | 21 | 50,314,347 | 50,332,866 |
| Net asset value per redeemable unit | | 13.62 pence | 14.32 pence |

The Unaudited Consolidated Interim Financial Statements on pages 7 to 30 were approved by the Board of Directors of the Manager and authorised for issue on 31 January 2022.

Quentin Spicer
Director
Pinnacle Investment Management Limited
Manager of Pinnacle Residential Fund

John Whittle
Director

The notes on pages 11 to 30 form an integral part of these unaudited consolidated interim financial statements.

Pinnacle Residential Fund

Unaudited Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the six months ended 30 September 2021

| | Number of Units Issued | £ |
|-----------------------------------------------------------------------------------------------|---------------------------|------------------|
| Balance of Net Assets Attributable to Holders of Redeemable Units on 31 March 2020 | 51,120,980 | 7,798,528 |
| Subscription of redeemable units | - | - |
| Net increase from redeemable units transactions | - | - |
| Total comprehensive loss for the period | - | (292,690) |
| Balance of Net assets attributable to holders of redeemable units on 30 September 2020 | <u>51,120,980</u> | <u>7,509,338</u> |
| Balance of Net Assets Attributable to Holders of Redeemable Units on 31 March 2021 | 50,332,866 | 7,200,800 |
| Redemption of redeemable units | (18,519) | (2,592) |
| Net decrease from redeemable units transactions | (18,519) | (2,592) |
| Total comprehensive loss for the period | - | (344,923) |
| Balance of Net assets attributable to holders of redeemable units on 30 September 2021 | <u>50,314,347</u> | <u>6,853,285</u> |

The notes on pages 11 to 30 form an integral part of these unaudited consolidated interim financial statements.

Pinnacle Residential Fund

Unaudited Consolidated Statement of Cash Flows For the six months ended 30 September 2021

| | | Period ended 30 September 2021 | Period ended 30 September 2020 |
|-------------------------------------------------------------|--------------|-----------------------------------------------|-----------------------------------------------|
| | Notes | £ | £ |
| Cash flows from operating activities | | | |
| Total comprehensive loss for the period | | (344,923) | (292,690) |
| Adjustments for: | | | |
| Net realised loss on sale of investment property | 14 | 144,134 | - |
| Finance income | 10 | (2) | (98) |
| Finance costs | 11 | 116,305 | 203,054 |
| Operating loss before changes in working capital | | (84,486) | (89,734) |
| Increase in receivables | | (83,047) | (27,978) |
| Decrease in payables | | (447,792) | (65,305) |
| Increase in deferred revenue | | 11,949 | 19,877 |
| Net cash outflow from operating activities | | (603,376) | (163,140) |
| Cash flows from investing activities | | | |
| Interest received | 10 | 2 | 98 |
| Capitalised expenses | 12 | (3,688) | (37,255) |
| Proceeds from sale of investment property | 14 | 7,169,151 | - |
| Relief received on investment | 12 | - | 82,107 |
| Net cash inflow from investing activities | | 7,165,465 | 44,950 |
| Cash flows from financing activities | | | |
| Redemption of redeemable units | | (2,592) | - |
| Repayment of borrowings | 20 | (3,688,174) | - |
| Finance costs paid | | (124,167) | (164,782) |
| Decrease in restricted cash | 16 | 368,817 | - |
| Net cash outflow from financing activities | | (3,446,116) | (164,782) |
| Net increase/(decrease) in cash and cash equivalents | | 3,115,973 | (282,972) |
| Cash and cash equivalents at the beginning of the period | | 373,583 | 826,258 |
| Cash and cash equivalents at the end of the period | 17 | 3,489,556 | 543,286 |

The notes on pages 11 to 30 form an integral part of these unaudited consolidated interim financial statements.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements For the six months ended 30 September 2021

1. General information

Pinnacle Residential Fund and its subsidiaries (the 'Fund') is an open-ended unit trust established in Guernsey by a Trust Instrument dated 18 January 2007 (the 'Original Trust Instrument') with a maximum duration of 100 years. The registered office of the Manager is 11 New Street, St Peter Port, Guernsey, GY1 2PF. On 24 September 2019, the Original Trust Instrument was supplemented by the Supplemental Trust Instrument.

The Fund aims to provide investors with an attractive, stable income return with good prospects for both income and capital growth. This will strike a balance between total return and income return.

The Fund's investment activities are managed by Pinnacle Investment Management Limited (the 'Manager') (formerly D&G Investment Management Limited). The trusteeship of the Fund is managed by Vistra Fund Services (Guernsey) Limited. The administration is delegated to Vistra Fund Services (Guernsey) Limited.

On 26 February 2020, pursuant to the Limited Partnership Agreement, PRF (Guernsey) Ltd (the 'General Partner') and the Trustee established a Limited Partnership under the name of PRF (Guernsey) LP (the 'Partnership'), registered as a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law, 1995. On 28 June 2021, pursuant to section 30(8)(a) of the Law, PRF (Guernsey) LP (the 'Partnership') was dissolved.

On 27 February 2020, pursuant to Section 6(2) of the Trusts Law, the Manager and the Trustee established the PRF Bedford Unit Trust (the 'Sub-Trust'). The objective of the Sub-Trust is to acquire, hold, lease, realise and deal in real estate in the United Kingdom.

The Fund is the sole limited partner and has invested in the Partnership, who in turn has invested in the units of the Sub-Trust. Consequently, the Fund has 100% ownership of both entities. The consolidated financial statements consist of the Fund, the Partnership and the Sub-Trust. The Fund, the Partnership and the Sub-Trust are collectively referred to as the 'Fund'.

Pursuant to the Supplemental Trust instrument and revised Scheme Particulars dated 1 June 2021, the Fund was changed from a Discretionary Trust to a Baker Trust. Furthermore, on 28 June 2021, pursuant to section 30(8)(a) of the Law, the Partnership was dissolved.

All issued redeemable units have been admitted to the official listing of The International Stock Exchange ('TISE') on 9 February 2007.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied during the period unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The consolidated interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by International Accounting Standards Board ('IASB') and applicable legal and regulatory requirements of The Companies (Guernsey) Law, 2008. The consolidated interim financial statements have been prepared under the historical cost convention except for investment properties which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

In the current period, the Fund has adopted all the applicable new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2020. The adoption of the standards and interpretations has not had a significant impact on the content or presentation of the consolidated financial statements; refer to below for additional consideration.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.1 Basis of preparation (continued)

Statement of compliance (continued)

The consolidated financial statements of the Fund incorporate the financial statements of the Partnership and the Sub-Trust, which are entities controlled by the Fund as at 30 September 2021. Control is achieved when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of the subsidiaries are included in the consolidated financial statements of the Fund.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, accounting policies of subsidiaries are changed to ensure consistency of accounting policies across the Group.

Subsidiaries

The following table details the subsidiaries owned by the Fund as at 30 September 2021.

| Entity | Country of incorporation | Effective ownership | Activity | Registered address |
|------------------------|--------------------------|---------------------|---------------------------------------------------------------------------------|---------------------------------------------------------|
| PRF Bedford Unit Trust | Guernsey | 100% | To acquire, hold, lease, realise and deal in real estate in the United Kingdom. | 11 New Street, St Peter Port, GUERNSEY GY1 2PF |

New IFRS accounting standards and interpretations

There were some major amendments to standards effective for the first time for periods beginning on or after 1 January 2020 that had the potential to impact the Fund's accounting policies. The relevant amendments to the standards and their impact on the consolidated financial statements is detailed below:

Amendments to IFRS 16 Covid-19-related rent concessions (early adopted)

In response to the COVID-19 coronavirus pandemic, in May 2020 the IASB issued an amendment to IFRS16 Leases to provide practical relief for lessees in accounting for rent concessions. Under the practical expedient, the lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic.

The amendments are applied for periods beginning on or after 1 June 2020, with earlier application permitted. The Directors of the Manager do not expect these amendments to have a material effect on the Fund as to date, no rent relief arrangements have had to be made.

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS8 has been replaced by a reference to the definition of material in IAS1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for periods beginning on or after 1 January 2020, with earlier application permitted.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.1 Basis of preparation (continued)

New, relevant standards, interpretations and amendments in issue but not yet effective for the financial year beginning 1 April 2021

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022** |
| Amendments to Annual Improvements 2018-2020 | 1 January 2022** |
| Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current -Deferral of Effective Date | 1 January 2023** |

** Not endorsed

The Directors of the Manager have considered the new standards, amendments and interpretations as detailed in the above table and do not plan early adoption of these standards as the Directors of the Manager do not expect the standards to have a material/significant impact to the consolidated financial statements.

Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16)

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities.

The IASB introduced a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

These amendments are effective for periods beginning on or after 1 January 2021. The Directors of the Manager do not expect these amendments to have a material effect on the Fund.

2.2 Revenue and other income

Lease income is recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Rental revenues are accounted for on an accrual basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Fund and the amount of revenue can be measured reliably.

Interest income is accounted for on an accruals basis. Interest income relates only to interest on bank balances.

2.3 Expenses

All expenses are accounted for on an accrual basis and include those of the Administrators, the Manager and the Directors of the Manager. All expenses have been presented as operating items except as follows:

Expenses which are incidental to the acquisition of an investment property are included within the cost of that investment property as well as costs incurred subsequently in any major redevelopment when it is probable that the future economic benefits associated with the redevelopment will flow to the entity, and the cost of it can be measured reliably.

2.4 Operating loss

Operating loss includes net gains and losses on revaluation of investment properties as well as rental income, as reduced by administrative expenses and property operating costs and excludes finance costs and finance income.

2.5 Taxation

The Fund is exempt from taxation under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and pays an annual fee of £1,200 (2020: £1,200). This amount is included within Administration expenses under regulatory and registration fees.

As at 01 June 2021, the Fund has become a Baker Trust and so is transparent for the purposes of UK tax on income. In order to receive distributions net of UK income tax, each investor has been asked to confirm that they are UK tax resident or to obtain approval from HMRC to receive distributions gross of UK income tax. Each investor will be responsible for reporting distributions received from the Fund in their own tax returns.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.5 Taxation (continued)

The Fund expects to be land rich for the purposes of UK tax on capital gains. The Fund has made an Exemption Election under the terms of schedule 5AAA of TCGA 1992 for the purpose of UK tax on capital gains.

The Fund is relieved from Annual Tax on Enveloped Dwellings as the properties are available for rent in the course of a qualifying property rental business.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Fund's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. The Fund does not recognise deferred tax for its tax losses.

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

2.6 Investment properties

Investment properties are initially recognised at cost, including related transaction costs. Subsequently, investment properties are stated at their fair value at the Consolidated Statement of Financial Position date. Gains or losses arising from changes in the fair value of investment properties are included in the Consolidated Statement of Total Comprehensive Income for the year in which they arise. Gains or losses arising on sale of investment properties represent the difference between the fair value of the consideration received (net of disposal costs) and the cost of the assets disposed and are recognised in the Consolidated Statement of Total Comprehensive Income in the year in which they arise.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the Residence, Lurke Street has been determined based on valuations performed by accredited independent valuers, Montagu Evans LLP. For quarterly reporting, internal valuation models are used to value the investment properties.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Total Comprehensive Income during the financial period in which they are incurred.

Investment properties for which there is a committed plan to sell are marketed at the year end and for which the sale is anticipated to complete within one year of the accounting reference date are classified as Investment Properties held for sale (Note 13). As at 30 September 2021, there was no property held for sale.

2.7 Financial instruments

A financial instrument is recognised in the Fund's Consolidated Statement of Financial Position when the Fund becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Fund commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Fund's obligations, specified in the contract, expire or are discharged or cancelled. Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or are extinguished.

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

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

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.7 Financial instruments (continued)

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Fund only has financial assets that are measured at amortised cost.

(a) Financial assets at amortised cost

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

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

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

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses as detailed below.

Fair values of financial assets at amortised cost, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date only if the discounting is material.

(a)(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through deposits on account with landlords (e.g. trade and other receivables and rent deposits), but also incorporate other types of contractual monetary assets.

Trade and other receivables are classified at amortised cost using the effective interest.

(a)(ii) Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash in current accounts, demand deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(a)(iii) Restricted cash

Restricted cash is carried at cost and represents funds held in an account with RBSI charged to the bank as stipulated in the loan agreement.

Impairment of financial assets held at amortised cost

IFRS 9 has introduced the expected credit loss ("ECL") model which brings forward the timing of impairments.

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

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.7 Financial instruments (continued)

Impairment of financial assets held at amortised cost (continued)

The Directors of the Manager have concluded that any ECL on the lease receivables would be highly immaterial to the consolidated financial statements following consideration of:

- the historical payment history of the lessees which have always been met in accordance with the lease agreement terms.
- the ability of the lessees to pay their outstanding amounts.
- the collateral being held in the form of a security deposit for each lease which can be utilised should there be any payment defaults.
- The credit risk of the lessees.

Other receivables are immaterial to the consolidated financial statements and therefore no assessment of the ECL has been completed.

(b) Financial liabilities at amortised cost

(b)(i) Trade and other payables

Trade payables and other short-term monetary liabilities (e.g. deferred revenue) are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

(b)(ii) Borrowings

Borrowings are initially recognised at fair value net of attributable transaction costs incurred. Such liabilities are subsequently stated at amortised cost using the effective interest method. The effect of discounting on these financial instruments is not considered to be material.

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

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

(b)(iii) Redeemable Units

The Fund issues redeemable units, which are redeemable at the holder's option and are classified as Financial Liabilities. Subject to certain restrictions which can be enforced per the Scheme Particulars, redeemable units can be put back to the Fund at any time for cash equal to a proportionate unit of the Fund's net asset value.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of the redeemable units by the total number of outstanding redeemable units. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

In net inflow months, the Subscription Price and Redemption Price or Special Redemption Price, as the case may be, of the Units will be based on the Vacant Possession Value and the spread between the Subscription Price and Redemption Prices or Special Redemption Prices, as the case may be, will be approximately 1 per cent. In net outflow months the Redemption Price will be based on an adjustment to the Net Asset Value for those properties that would need to be sold at market value to meet the net outflow less sale costs. The properties that would be sold to meet the net outflow, and accordingly to be valued at a price that reflects the ability to sell immediately, will be at the Manager's discretion. This would have the effect of significantly widening the spread between the Subscription Price and Redemption Prices. The benefit of any spread will be retained for the benefit of the Fund and remaining investors.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.7 Financial instruments (continued)

(c) Fair value measurement hierarchy

This note explains the judgements and estimates made determining the fair values of the Financial Instruments and non-financial assets and liabilities that are recognised at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Fund has classified its financial and non-financial assets and liabilities into the three levels prescribed under the accounting standards.

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

The level in the fair value hierarchy within which the financial instruments and non financial assets and liabilities are categorised and determined on the basis of the lowest input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into one of the three levels.

The following table presents the Fund's financial and non financial assets and liabilities that are measured at fair value at 30 September 2021 by level of their fair value hierarchy.

| | Level 1 & 2 | Level 3 | Total |
|------------------------------|------------------------|------------------|------------------|
| | £ | £ | £ |
| Non-financial assets: | | | |
| Investment property | - | 7,757,175 | 7,757,175 |
| Total | - | 7,757,175 | 7,757,175 |

The following table presents the Fund's financial and non financial assets and liabilities that are measured at fair value at 31 March 2021 by level of their fair value hierarchy.

| | Level 1 & 2 | Level 3 | Total |
|-------------------------------------|------------------------|-------------------|-------------------|
| | £ | £ | £ |
| Non-financial assets: | | | |
| Investment property | - | 7,753,487 | 7,753,487 |
| Investment properties held for sale | - | 7,313,288 | 7,313,288 |
| Total | - | 15,066,775 | 15,066,775 |

The fair value of the Residence, Lurke Street has been determined based on valuations performed by accredited independent valuers.

The following table presents the changes in Level 3 instruments for the year ended 31 March 2021 and six months ended 30 September 2021.

| | Investment properties held for sale | Investment properties | Total |
|-----------------------------------------------------------------|--------------------------------------------|------------------------------|-------------------|
| | £ | £ | £ |
| Opening balance 1 April 2020 | - | 15,009,889 | 15,009,889 |
| Additions | - | - | - |
| Cost capitalised | - | 56,123 | 56,123 |
| Transfer to investment properties held for sale | 7,313,288 | (7,313,288) | - |
| Multiple dwelling relief received on the acquisition of Bedford | - | (82,107) | (82,107) |
| Bedford's cost overstated | - | (113,082) | (113,082) |
| Profits recognised in total comprehensive income | - | 195,952 | 195,952 |
| Closing balance 31 March 2021 | 7,313,288 | 7,753,487 | 15,066,775 |

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

2.7 Financial instruments (continued)

(c) Fair value measurement hierarchy (continued)

| | Investment properties held for sale | Investment properties | Total |
|-----------------------------------|-------------------------------------------|--------------------------|------------------|
| | £ | £ | £ |
| Opening balance 1 April 2021 | 7,313,288 | 7,753,487 | 15,066,775 |
| Costs capitalised | - | 3,688 | 3,688 |
| Disposals during the period | (7,313,288) | - | (7,313,288) |
| Closing balance 30 September 2021 | <u>-</u> | <u>7,757,175</u> | <u>7,757,175</u> |

There have been no transfers between levels during the period.

2.8 Functional and presentation currency

The functional and presentation currency is Sterling. The Manager considers Sterling the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors.

2.9 Unit-based payments (cash-settled)

The Fund settles performance fees by granting options for units in the Fund to the Manager at a discounted price, subject to the Trust achieving certain performance hurdles. All unit-based payments are recognised as an expense in profit or loss with a corresponding credit to non-current liabilities. The fair value of the options have been calculated using the Black-Scholes Model. The Model is a formula for calculating the fair value of an option contract, where an option is a derivative whose value is based on some underlying asset. The Model takes into consideration the following inputs: price of the stock, strike price, time to expiration, risk free interest rate, dividend yield and volatility.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of units options expected to vest differs from previous estimates. Any adjustment to cumulative unit-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of unit options, the proceeds received, net of any directly attributable transaction costs, are allocated to the redeemable units in issue.

3. Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors of the Manager have examined significant areas of possible financial risk, in particular cash requirements and the ongoing obligations of the banking covenants.

After due consideration the Directors of the Manager believe that the Fund will have adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of the consolidated financial statements, and as such it is deemed appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The Directors of the Manager remain confident that the going concern basis remains appropriate.

4. Financial instruments risk exposure and management

The Fund's activities expose it to a variety of financial risks: market risk (including income risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: trade and other receivables, restricted cash, rent deposits, cash and cash equivalents, trade and other payables and borrowings. The accounting policies in respect of these financial instruments are described in Note 2.

The Fund's overall risk management programme focuses on the unpredictability of property markets and seeks to minimise potential adverse effects on the Fund's financial performance.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

4. Financial instruments risk exposure and management (continued)

4.1 Market risk

(i) Market rental income risk

Rental income is generally affected by the overall conditions in the local economy, such as:

- growth in gross domestic product;
- employment trends;
- inflation; and
- changes in interest rates.

Changes in gross domestic product may also impact employment levels, which in turn may have an impact on the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Rental income may also be affected by other factors specific to the real estate market such as:

- competition from other property owners;
- the perceptions of prospective tenants of the attractiveness and convenience and safety of properties;
- the inability to collect rents because of bankruptcy or the insolvency of tenants or otherwise;
- the periodic need to renovate, repair and release space and the costs thereof;
- the costs of maintenance and insurance; and
- increased operating costs.

The Manager aims to minimise the risk through careful selection and thorough due diligence on prospective properties.

(ii) Currency risk

The Fund is not exposed to currency risk as all assets and liabilities are denominated in Sterling and all income and expenses are transacted in Sterling.

(iii) Cash flow and fair value interest rate risk

A significant portion of the Fund's financial assets and liabilities at the Consolidated Statement of Financial Position date are interest bearing. As a result, the Fund's position and cash flows are subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

Any cash and cash equivalents are invested at short-term market rates. This risk is linked to the Fund not being able to invest all of its committed capital or identify suitable investment opportunities which satisfy the Fund's investment objectives.

Directors of the Manager consider the use of interest rate caps to mitigate against interest risk. Given the relatively short term of the current loan, management do not consider it necessary to utilise an interest rate cap at the current time.

The amount charged to the Consolidated Statement of Total Comprehensive Income for loan and bank interest payable, including loan agreement fees, was £116,305 (30 September 2020: £203,054).

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's financial assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

4. Financial instruments risk exposure and management (continued)

4.1 Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

| At 30 September 2021 | Interest bearing fixed £ | Interest bearing variable £ | Non-interest bearing £ | Total £ |
|-----------------------------|-----------------------------------------|--------------------------------------------|---------------------------------------|--------------------|
| Assets | | | | |
| Trade and other receivables | - | - | 168,857 | 168,857 |
| Cash and cash equivalents | - | 3,489,556 | - | 3,489,556 |
| Total assets | <u>-</u> | <u>3,489,556</u> | <u>168,857</u> | <u>3,658,413</u> |
| Liabilities | | | | |
| Trade and other payables | - | - | 93,155 | 93,155 |
| Loan interest due | - | - | 43,404 | 43,404 |
| Borrowings | 4,200,000 | - | - | 4,200,000 |
| Total liabilities | <u>4,200,000</u> | <u>-</u> | <u>136,559</u> | <u>4,336,559</u> |
| At 31 March 2021 | Interest bearing fixed £ | Interest bearing variable £ | Non-interest bearing £ | Total £ |
| Assets | | | | |
| Trade and other receivables | - | - | 51,327 | 51,327 |
| Restricted cash | - | 368,817 | - | 368,817 |
| Cash and cash equivalents | - | 373,583 | - | 373,583 |
| Total assets | <u>-</u> | <u>742,400</u> | <u>51,327</u> | <u>793,727</u> |
| Liabilities | | | | |
| Trade and other payables | - | - | 453,936 | 453,936 |
| Loan interest due | - | - | 51,269 | 51,269 |
| Borrowings | 4,200,000 | 3,688,174 | - | 7,888,174 |
| Total liabilities | <u>4,200,000</u> | <u>3,688,174</u> | <u>505,205</u> | <u>8,393,379</u> |

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

| | Change in interest rates (basis points) | Interest bearing variable £ | Impact on Consolidated Statement of Total Comprehensive Income £ |
|---------------------------|-----------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------|
| Cash and cash equivalents | 50 | 3,489,556 | 17,448 |
| | | <u>3,489,556</u> | <u>17,448</u> |

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

4. Financial instruments risk exposure and management (continued)

4.1 Market risk (continued)

(iv) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a quarterly basis as the Fund is subject to quarterly subscriptions and redemptions. On 24 September 2019, the Directors of the Manager announced that distributions and redemptions were suspended for a period of 18 months beginning 24 September 2019. The suspension on redemption was lifted on 24 March 2021 which marked the 18 month anniversary. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders and benefits to stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of quarterly subscriptions and redemptions relative to the assets it expects to be able to liquidate within the quarter and adjust the amount of distributions the Fund pays to redeemable unitholders.
- Redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to scale back redemptions and require certain minimum holdings and subscriptions.

The Fund monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated by the Fund as total borrowings less cash and cash equivalents. Total capital is calculated as net assets attributable to holders of redeemable units as shown in the Consolidated Statement of Financial Position, plus net debt. The loan to value of the charged properties (as valued by the independent valuer), in any quarter, must not exceed 65%.

| | 30 September 2021 | 31 March 2021 |
|-----------------------------------|-------------------|---------------|
| | £ | £ |
| Total interest bearing borrowings | 4,200,000 | 7,888,174 |
| Less cash and cash equivalents | (3,489,556) | (373,583) |
| Net debt | 710,444 | 7,514,591 |
| Total capital | 7,563,729 | 14,715,391 |
| Gearing ratio | 9.39% | 51.07% |

The Manager monitors and reviews the structure of the Fund's capital at and between board meetings. The review includes:

- the current gearing; and
- the current and future distribution policy.

4.2 Credit risk

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

The Fund's credit risk principally arises from cash and cash equivalents and restricted cash as well as credit exposures in respect of tenants and other receivables. In the event of default by an occupying tenant, the Fund will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and advertising the property until it is re-let. The Manager seeks to mitigate default risk by assessing the credit worthiness of potential and current tenants. General economic conditions may affect the financial stability of tenants and prospective tenants and/or demand for and value of real estate assets. A property advisor monitors the tenants in order to anticipate, and minimise the impact of, default by occupying tenants.

The Manager monitors the placement of cash balances on an ongoing basis. Cash held by the Fund is placed with Royal Bank of Scotland International Limited which is a reputable institution and has a Fitch rating of A. In addition, client cash account held by the property manager is with Barclays Bank PLC which has a credit rating of A+.

The following table analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of netting at the reporting date:

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

4. Financial instruments risk exposure and management (continued)

4.2 Credit risk (continued)

| | 30 September 2021 £ | 31 March 2021 £ |
|-----------------------------|------------------------|--------------------|
| Cash and cash equivalents | 3,489,556 | 373,583 |
| Restricted cash | - | 368,817 |
| Trade and other receivables | 168,857 | 51,327 |
| Total credit risk exposure | <u>3,658,413</u> | <u>793,727</u> |

4.3 Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its financial commitments. Investments in property are relatively illiquid, and as such the Fund aims to mitigate this risk through maintaining sufficient cash; the availability of funding through an adequate amount of committed credit facilities; the availability to close out market positions; and through investment in higher volume lower value property assets.

Once the Fund has made property investments, most of these will be illiquid. It may take considerable time to dispose of the property investments. Redemptions are subject to limitations (see note 21) to minimise liquidity risk.

The table below analyses the Fund's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period at the Consolidated Statement of Financial Position date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Less than 1 year £ | Between 1 and 5 years £ | Over 5 years £ |
|----------------------------|-----------------------|-------------------------------|-------------------|
| 30 September 2021 | | | |
| Borrowings (i) | - | 4,200,000 | - |
| Finance cost of borrowings | 172,200 | 76,429 | - |
| Trade and other payables | 93,155 | 261,030 | - |
| | <u>265,355</u> | <u>4,537,459</u> | <u>-</u> |
| 31 March 2021 | | | |
| Borrowings (i) | 3,688,174 | 4,200,000 | - |
| Finance cost of borrowings | 242,642 | 162,764 | - |
| Trade and other payables | 453,936 | 348,041 | - |
| | <u>4,384,752</u> | <u>4,710,805</u> | <u>-</u> |

(i) For an explanation of the contractual maturities of the borrowings please refer to Note 20.

5. Critical accounting estimates and judgments

5.1 Critical accounting estimates and assumptions

Directors of the Manager make estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment are:

Fair value of investment property

The method for establishing fair value was amended as part of the adoption of the revised Scheme Particulars approved by unitholders on the change in management of the Fund on 24 September 2019.

Investment properties are stated at fair value and are valued independently by accredited independent valuers on a six monthly basis (formerly a rolling quarterly basis). For quarterly reporting, internal valuation models are used to value the investment properties.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

5. Critical accounting estimates and judgments (continued)

5.1 Critical accounting estimates and assumptions (continued)

Fair value of investment property (continued)

Owing to market complications arising from COVID-19, such as availability of valuers, access to properties and comparable market data, it has not been possible to obtain independent valuations to determine the fair value of the investment property at the end of the period. Management valuations have been used with reference to comparable Fund properties that were sold in a similar period.

The management valuations, whilst not performed in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation - Global Standards January 2020 ("the Red Book"), have sought to follow the definition of Market Value as set out in the Red Book, which meets the requirements of IFRS 13 and allow for Market Value - "Vacant Possession" and a Market Value - "On basis of existing tenancy".

The fair value of investment property is based on valuations provided as described above. These values are determined by using recognised valuation techniques and taking into consideration any recent market transactions for similar properties in similar locations to the investment properties held by the Fund.

Assumptions and valuation models used by professionally-qualified property valuers are typically market related, such as comparable sales adjusted to reflect individual characteristics, including: location, size, outside space, condition and tenure. These are based on their professional judgement and market observation. The significant unobservable inputs used in arriving at the fair value are as follows:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The fair value of investment properties at 30 September 2021 are disclosed on page 6 and in note 12.

5.2 Critical judgements

Going Concern

These consolidated interim financial statements have been prepared on a going concern basis. This determination requires significant judgement. In making this judgement, the Manager evaluates the Fund's expected cash flows. For the Manager's consideration of going concern, please refer to Note 3.

6. Segment information

Operating Segments are reported in a manner consistent with the internal reporting provided to the Directors of the Manager of the Fund. The Chief Operating Decision Maker ('CODM'), which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Directors of the Manager.

The Fund is organised into one main business segment, focusing on achieving long-term total returns through acquisition, refurbishment and holding predominantly residential property interests. The Fund's secondary segment is the geographical segment, based on the one main location of the investments, UK wide with focus on key urban centres. The Fund previously focused on investment located in Prime Central London.

For information about significant customers see Note 22 showing rental contracts currently in place.

Additional information on the total fair value of the segment and equivalent percentages of the total value of the Fund can be found in the Property Portfolio Statement on page 7.

The operating segments derive their revenue primarily from rental income from lessees. The investment properties, in relation to the income received, are located throughout the UK with focus on key urban centres.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

| 7. Revenue | 30 September 2021 | 30 September 2020 |
|--------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Gross lease payments collected | 242,413 | 208,600 |
| | <u>242,413</u> | <u>208,600</u> |

The Fund leases its investment properties under operating leases.

8. Property operating expenses

Tabled below are the amounts of property operating expenses arising from all properties (existing and disposed) that generated and did not generate rental income during the period:

| Income generating expenses | 30 September 2021 | 30 September 2020 |
|-----------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Agent fees | 11,186 | 24,610 |
| Insurance costs | 4,526 | 4,338 |
| Property expenses | 69,913 | 55,782 |
| | <u>85,625</u> | <u>84,730</u> |

| 9. Administrative expenses | 30 September 2021 | 30 September 2020 |
|------------------------------------------------------|--------------------------|--------------------------|
| | £ | £ |
| Manager's fees (refer to Note 22) | 90,369 | 121,050 |
| Legal and professional fees | 78,129 | 53,810 |
| Manager's directors' remuneration (refer to Note 22) | 22,005 | 20,717 |
| Administration fee | 24,983 | 20,219 |
| Audit fee | 11,652 | 12,921 |
| Trustee's fees (refer to Note 23) | 10,000 | 10,109 |
| Registration and regulatory fee | (242) | 2,324 |
| Listing fees | 3,040 | 504 |
| Sundry expenses | 1,287 | 340 |
| Bank charges | 51 | 130 |
| Consultancy fees | - | - |
| Trail commission fees (refer to Note 23) | - | - |
| Sub - Registrar fees | - | - |
| Gain on derecognition of financial liabilities* | - | (28,520) |
| | <u>241,274</u> | <u>213,604</u> |

*The gain on derecognition of financial liabilities refer to Custody fee and Trail Commission Fee payable written off during the period 30 September 2020.

| 10. Finance income | 30 September 2021 | 30 September 2020 |
|---------------------------|--------------------------|--------------------------|
| | £ | £ |
| Bank interest received | <u>2</u> | <u>98</u> |

| 11. Finance costs | 30 September 2021 | 30 September 2020 |
|----------------------------|--------------------------|--------------------------|
| | £ | £ |
| Bank loan arrangement fees | 12,280 | 68,317 |
| Charges on bank borrowings | 104,025 | 134,737 |
| | <u>116,305</u> | <u>203,054</u> |

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

| 12. Investment properties | 30 September 2021 £ | 31 March 2021 £ |
|-----------------------------------------------------------------|------------------------|--------------------|
| Fair value at the beginning of the period/year | 7,753,487 | 15,009,889 |
| Costs capitalised | 3,688 | 56,123 |
| Transfer to investment properties held for sale | - | (7,313,288) |
| Net fair value loss on investment properties | - | 195,952 |
| Multiple dwelling relief received on the acquisition of Bedford | - | (82,107) |
| Adjustment to capitalised cost | - | (113,082) |
| Fair value at the end of the period/year | <u>7,757,175</u> | <u>7,753,487</u> |

Investment properties are stated at fair value and are valued independently by accredited independent valuers on a six monthly basis (formerly a rolling quarterly basis). The fair value of The Residence, Lurke Street has been determined based on valuations performed by accredited independent valuers, Montagu Evans LLP. For quarterly reporting, internal valuation models are used to value the investment properties.

The Bedford property is held on freehold. Details of properties provided as securities for bank loans are in Note 20.

13. Investment properties held for sale

As required by IFRS 5, from the point at which an investment property accounted for under the fair value model meets the criteria for classification as held for sale, the asset is presented as held for sale in the Consolidated Statement of Financial Position, but it continues to be measured at fair value in accordance with the entity's accounting policy for investment property. In April 2021, Flat 2, 69 Cadogan Square, London, SW1X 0EA was disposed at a disposal value of £2,712,613. Furthermore, in August 2021, Flat B, 18 Lennox Gardens, London, SW1X 0DG was disposed at a disposal value of £2,269,330 and in September 2021, Flat 9, 26/27 Hans Place, London, SW1X 0JY was also disposed at a disposal value of £ 2,187,208.

| | 30 September 2021 £ | 31 March 2021 £ |
|------------------------------------------------|------------------------|--------------------|
| Fair value at the beginning of the period/year | 7,313,288 | 7,313,288 |
| Disposals during the period | <u>(7,313,288)</u> | <u>-</u> |
| Fair value at the end of the period/year | <u>-</u> | <u>7,313,288</u> |

The table below represents the revenue earned and expenditure incurred in relation to the disposed investment properties during the period.

| Revenue | 30 September 2021 £ | 31 March 2021 £ |
|------------------------------------|------------------------|--------------------|
| Gross lease payments collected | <u>10,893</u> | <u>137,351</u> |
| Property operating expenses | | |
| Agent fees | (1,196) | (21,749) |
| Property expenses | <u>(17,947)</u> | <u>(146,208)</u> |
| | <u>(19,143)</u> | <u>(167,957)</u> |

| 14. Loss through profit or loss on investment property disposed of | 30 September 2021 £ | 31 March 2021 £ |
|--------------------------------------------------------------------|------------------------|--------------------|
| Carrying value of property disposed of during the period/year | 7,313,285 | - |
| Cost of investment property sold | <u>(7,342,070)</u> | <u>-</u> |
| Unrealised loss previously recognised through P&L | <u>(28,785)</u> | <u>-</u> |
| Proceeds from sale during the period/year | 7,169,151 | - |
| Cost of investment property sold | <u>(7,342,070)</u> | <u>-</u> |
| Realised loss on sale of investment property | <u>(172,919)</u> | <u>-</u> |
| Loss already recognised through P&L in prior periods | (28,785) | - |
| Loss for recognition through P&L during the period/year | <u>(144,134)</u> | <u>-</u> |
| Realised loss on sale of investment property | <u>(172,919)</u> | <u>-</u> |

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

| 15. Trade and other receivables | 30 September 2021 | 31 March 2021 |
|----------------------------------------|--------------------------|----------------------|
| | £ | £ |
| Prepaid property expenses | 753 | - |
| Trade receivables* | 79,615 | 28,625 |
| Prepayments | 72,550 | 112,600 |
| Loan arrangement fee prepaid | 4,813 | - |
| Receivable from Property Manager | 13,560 | - |
| Sundry debtor | 75,682 | 22,701 |
| | <u>246,973</u> | <u>163,926</u> |

* Trade receivables comprises of rent receivable of £68,686 from PRF Bedford Property Manager. It also comprises of £10,929 which is receivable from the General Partner.

16. Restricted cash

As at 30 September 2021, an amount of £Nil (31 March 2021: £368,817) represents funds held in an account with RBSI charged to the bank as stipulated in an agreement for a facility of up to £Nil (31 March 2021: £3,688,174).

| 17. Cash and cash equivalents | 30 September 2021 | 31 March 2021 |
|--------------------------------------|--------------------------|----------------------|
| | £ | £ |
| Cash at bank | <u>3,489,556</u> | <u>373,583</u> |

| 18 (a). Trade and other payables | 30 September 2021 | 31 March 2021 |
|----------------------------------------------------------------------------|--------------------------|----------------------|
| | £ | £ |
| Management fees* (refer to Note 22) | 42,866 | 247,977 |
| Administration fees | 16,319 | 16,121 |
| Other payables | 11,788 | 18,680 |
| Audit fees | 9,902 | 18,000 |
| Payable to Pinnacle Investment Holding Limited ('PIHL') (refer to Note 22) | 9,516 | 9,516 |
| Trustee's fees (refer to Note 23) | 4,550 | 4,550 |
| Council tax void payable | 1,314 | 1,314 |
| Listing fees | 1,000 | 1,274 |
| Legal and professional fees | 600 | 1,200 |
| Regulatory fees | 100 | - |
| Deposit payable by the manager | (4,800) | 1,820 |
| Redemption due to investors | - | 110,336 |
| Amount due to Manager for directors' remuneration (refer to Note 22) | - | 13,148 |
| Loan arrangement fees | - | 10,000 |
| | <u>93,155</u> | <u>453,936</u> |

18 (b). Management Fees

| | £ | £ |
|-------------------------|----------------|----------------|
| Payable after one year* | <u>261,030</u> | <u>348,041</u> |

*Included in total management fees are management fees payable to the former owner of the Manager. The total amount due to the former owner of the Manager is £261,030 (31 March 2021: £435,051). The management fees due to the former owner are to be paid as per the assignment terms which is 20% of the fee, amounting to £87,010, on the sale of the 4th property paid in August 2021 and another 20% of the fee, amounting to £87,010 paid in September 2021 and the remaining, amounting to £261,030 was settled post period end. Refer to Note 22 for additional detail.

| 19. Deferred revenue | 30 September 2021 | 31 March 2021 |
|-----------------------------|--------------------------|----------------------|
| | £ | £ |
| Rent received in advance | <u>37,830</u> | <u>25,881</u> |

Rent received in advanced comprises £37,830 (31 March 2021: £25,881) relating to PRF Bedford Unit Trust.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

| 20. Borrowings | 30 September 2021 | 31 March 2021 |
|--------------------------------------|--------------------------|----------------------|
| | £ | £ |
| RBSI Bank loans | | |
| Opening RBSI loan | 3,688,174 | 3,688,174 |
| Repayment for the period/year | (3,688,174) | - |
| Closing RBSI loan | <u>-</u> | <u>3,688,174</u> |
| Interest movements | | |
| Opening Balance | 10,224 | 4,133 |
| Charge for the year | - | 113,940 |
| Repayment for the period/year | (10,224) | (107,849) |
| Closing RBSI loan | <u>-</u> | <u>10,224</u> |
| | 30 September 2021 | 31 March 2021 |
| | £ | £ |
| STB Bank loans | | |
| Opening STB loan | 4,200,000 | 4,027,800 |
| Drawdown for the period/year | - | 172,200 |
| Closing STB loan | <u>4,200,000</u> | <u>4,200,000</u> |
| Interest movements | | |
| Opening Balance | 41,045 | 9,436 |
| Charge for the year | 86,336 | 204,352 |
| Adjustment for interest over accrued | - | (42,456) |
| Repayment for the year | (83,977) | (130,287) |
| Closing balance | <u>43,404</u> | <u>41,045</u> |

The maturity of borrowings is as follows:

| | 30 September 2021 | 31 March 2021 |
|----------------------------|--------------------------|----------------------|
| | £ | £ |
| Payable within 1 year | - | 3,688,174 |
| Payable within 1 - 5 years | 4,200,000 | 4,200,000 |
| | <u>4,200,000</u> | <u>7,888,174</u> |

The loan with The Royal Bank of Scotland International Limited ('RBSI') has been fully repaid in September 2021 following the sale of its investment properties Flat 9, 26/27 Hans Place, London, SW1X 0JY and Flat B, 18 Lennox Gardens, London, SW1X 0DG.

Pursuant to a loan facility agreement dated 12 March 2020, the Trust borrowed £4,200,000 from Secure Trust Bank ('STB') for the purpose of financing the acquisition of The Residence, Lurke Street, Bedford (the 'Property'). The STB borrowing is secured against The Residence, Lurke Street, Bedford.

The loan bears interest at a fixed rate of 4.10% per annum with interest being charged quarterly in arrears. The loan has a maturity date of 36 months from the date the loan is initially drawn, that is, 11 March 2023.

21. Units issued

All issued redeemable units are fully paid and have been admitted to the official listing of The International Stock Exchange ('TISE'). The Fund's capital is represented by these redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. As the units are redeemable at the discretion of the holder and do not carry any voting rights, the units are classified as liabilities rather than equity.

The Fund has the following specific restrictions with regards to subscriptions and redemption of units. The minimum subscription for units is £1,000 per investment or and increments of £1,000 is effective from 11 February 2009. The Manager may, at any time, declare suspension, deferral or a scale back in dealings for the purpose of redemptions so as to allow an orderly disposal of such of its assets as may be required to effect redemptions.

As per the Scheme Particulars dated 24 September 2019, subscriptions have been approved and are no longer restricted. Dealing days for subscriptions have been set to quarterly. However, in order to raise capital and build the Fund's portfolio, the Manager and the Trustee have agreed for investors to invest in the Fund by declaring a Special Dealing Day on specific dates if applications for units totalling a minimum of £100,000 have been received in respect of the relevant Special Dealing Day.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

21. Units issued (continued)

Following a resolution passed at an Extraordinary General Meeting ('EGM') held 3 June 2019, all redemptions of Units were suspended for an 18 month period beginning 24 September 2019. The redemption suspension was lifted on 24 March 2021 and units were redeemed on the same date.

There was one redemption during the reporting period.

The relevant movements are shown on the Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and on the following table. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 4, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. To determine the net asset value of the Fund for redemptions, total liabilities of the Fund are deducted from the total assets of the Fund on the relevant valuation day using the market value for investment properties. To determine the net asset value of the Fund for subscriptions, total liabilities of the Fund are deducted from total assets of the Fund on the relevant valuation day using Vacant Possession value for investment properties. The number of units in issue at 30 September 2021 was 50,314,347 units (31 March 2021: 50,332,866).

| Units in issue | 30 September 2021 | 31 March 2021 |
|---------------------------------------|-------------------|-------------------|
| Opening balance | 50,332,866 | 51,120,980 |
| Units issued during the period/year | - | - |
| Units redeemed during the period/year | (18,519) | (788,114) |
| Closing balance | <u>50,314,347</u> | <u>50,332,866</u> |

22. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or a party under common control or significant influence.

(i) Management Fees

As per the terms of the Trust deed dated 18 January 2007 the Fund pays fees to Pinnacle Investment Management Limited for its services as Manager of the Fund.

The charge was as follows:

| Gross Asset Value of Fund | Management Fee calculated as percentage of Gross Asset Value |
|----------------------------|--------------------------------------------------------------|
| £0 - £30,000,000 | 1.50% |
| £30,000,001 - £50,000,000 | 1.25% |
| £50,000,001 - £150,000,000 | 1.00% |
| £150,000,001 or greater | 0.75% |

The total charge to the consolidated income statement was £90,369 (30 September 2020: £121,050). A total amount of £303,896 (31 March 2021: £596,018) was outstanding at the end of the period, out of which £261,030 and £42,866 was due to D&G Asset Management LLP (former owner of the Manager) and Pinnacle Investment Management Limited (current Manager), respectively.

(ii) Options, at fair value

In addition to the Management Fee, the following options for units in the Fund have been granted to the Manager. The options are exercisable at a price in accordance with the agreements on the date of grant. The fair value of the options have been calculated using the Black-Scholes Model per below. The Model takes into consideration the following inputs: price of the stock, strike price, time to expiration, risk free interest rate, dividend yield and volatility.

| Number of Options | Strike Price of | Vesting Date | Expiry of Option |
|-------------------|-----------------|-----------------|------------------|
| 500,000 | £0.13 + 10% | 31 January 2020 | January 2022 |
| 500,000 | £0.13 + 15% | 31 January 2021 | January 2023 |
| 750,000 | £0.13 + 25% | 31 January 2022 | January 2024 |
| 750,000 | £0.13 + 35% | 31 January 2023 | January 2025 |

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

22. Related party transactions (continued)

(ii) Options, at fair value (continued)

The fair value of the options as at 30 September 2021 of £5,000 (31 March 2021: £ 5,000) has been revalued in accordance with IFRS 2.

The Manager will not be permitted to redeem any Units for a period of 24 months following the exercise of the Option.

(iii) Directors of the Manager's remuneration

The Fund pays remuneration to the Directors of the Manager for their services. The total charge to the Consolidated Statement of Comprehensive Income was £22,005 (30 September 2020: £20,717). An amount of £Nil (31 March 2021: £13,148) was payable to the Manager at the end of the period.

(iv) Directors of the Manager's holdings

As at 30 September 2021, Mr Stephen Yorke has an interest in 122,987.013 (31 March 2021: 122,987.013) units in the Fund by way of a Self Invested Pension Plan.

Mr Simon Yorke, brother of Stephen, has an interest in 215,385.615 (31 March 2021: 215,384.615) units in the Fund by way of a Self Invested Pension Plan.

As at 30 September 2021, Christopher Turnbull has an interest in 666,666.667 (31 March 2021: 666,666.667) units in the Fund by way of a Self Invested Pension Plan.

As at 30 September 2021, Mr. David Turnbull, father of Christopher Turnbull had an interest in Lincoln Heights as the settlor of the Trust. On 13 March 2020, Lincoln Heights transferred to Credit Suisse London Nominees Limited. As a result, Christopher Turnbull has an indirect interest in 7,692,307.692 (31 March 2021: 7,692,307.692) units in the fund by way of Self Invested Pension Plan.

On 21 January 2021, Mr Eng Ong was appointed as the Director of Pinnacle Investment Management Limited ('PIML'), the Manager. Mr Eng Ong is the CEO ('Chief Executive Officer') of SLB Starcap Pte. Ltd and has an interest in 15,384,615.385 units in the Fund (31 March 2021: 15,384,615.38).

(v) Investment Advisory fees

Pinnacle Investments (Holdings) Limited ('PIHL') is the Investment Advisor. No investment advisor fees are reflected in the consolidated financial statements as no direct charge was incurred by the Fund.

(vi) Payables to PIHL

During the period, an amount of £Nil (31 March 2021: £9,516) was paid by PIHL on behalf of the Fund. An amount of £9,516 (31 March 2021: £9,516) was outstanding to PIHL at the period end.

23. Material contracts

(i) Administrator's fees

The Fund pays fees to Vistra Fund Services (Guernsey) Limited for the following services: accounting, administration and compliance of the Fund. As per the Scheme Particulars dated 24 September 2019, the Administrator has agreed with the Manager to charge a fee, payable quarterly in arrears by the Fund at the rates below, subject to a minimum fee of £40,000 per annum. These are detailed below;

- for Net Asset Values of less than £100 million, 0.1 per cent. of Net Asset Value per annum; and
- for Net Asset Values greater than £100 million, 0.08 per cent. of Net Asset Value per annum

The Administrator is also entitled to be reimbursed in respect of expenses incurred in connection with the performance of its services including but not limited to facsimile, courier and long distance telephone charges.

The total charge to the Consolidated Statement of Comprehensive Income during the period was £24,983 (30 September 2020: £20,219). An amount of £16,319 (31 March 2021: £16,121) was outstanding at the end of the period.

Pinnacle Residential Fund

Notes to the Unaudited Consolidated Interim Financial Statements (continued) For the six months ended 30 September 2021

23. Material contracts (continued)

(ii) Registrar fees

Vistra Fund Services (Guernsey) Limited was appointed as the Registrar and under the new administration agreement fees for this service are included as part of the administration fees. Refer to administrator fees note above for details.

(iii) Trustee's fees

The Fund pays fees to Vistra Fund Services (Guernsey) Limited for its services as Trustee of the Fund. The trustee fee is payable quarterly in arrears, at the rate of 0.08% per annum of the Net Asset Value of the Fund, subject to an annual minimum fee of £20,000 (or such higher percentages or amounts as may from time to time be agreed between the Manager and the Trustee). The Trustee will also receive a transaction fee for each investment transaction charged on a time spent basis.

During the year ended 30 September 2021, the total charge to the Consolidated Statement of Comprehensive Income was £10,000 (30 September 2020: £10,109). An amount of £4,550 (31 March 2021: £4,550) was due to Vistra Fund Services (Guernsey) Limited.

24 (a). Earnings per share

| | 30 September 2021 | 31 March 2021 |
|-------------------------------------------|---------------------|---------------------|
| | £ | £ |
| Loss for the period/year | (344,923) | (487,392) |
| Weighted average number of units in issue | 50,323,607 | 51,105,823 |
| Loss per unit | <u>(0.69) pence</u> | <u>(0.94) pence</u> |

24 (b). Diluted earnings per share

| | 30 September 2021 | 31 March 2021 |
|-------------------------------------------|---------------------|---------------------|
| | £ | £ |
| Loss for the period/year | (344,923) | (487,392) |
| Weighted average number of units in issue | 50,323,607 | 51,105,823 |
| Diluted loss per unit | <u>(0.69) pence</u> | <u>(0.94) pence</u> |

A weighted average number of units in issue was calculated to enable users to gain a fairer understanding of the earnings generated per unit through the year. The weighted average number of shares is calculated by taking the number of outstanding shares and multiplying the portion of the reporting period those shares covered and hence their ability to influence income generated. As at 30 September 2021, the option did not have a dilutive effect since the strike price was greater than the Net Asset Value per unit.

25. Controlling party

Due to the nature of the ownership of the units, the Directors of the Manager believe that there is no ultimate controlling party.

26. Reconciliations

| | 30 September 2021 | 31 March 2021 |
|-------------------------------------------------------------------------------------|-------------------|------------------|
| | £ | £ |
| (i) Reconciliation of NAV as per Financial position and NAV as per valuation | | |
| Net asset value per Consolidated Statement of Financial Position | 6,853,285 | 7,200,800 |
| Reconciling adjustments | - | - |
| Net asset value per valuation | <u>6,853,285</u> | <u>7,200,800</u> |
| Dealing Net Asset Value per unit for valuation purposes | 13.62 pence | 14.32 pence |

27. Post balance sheet events

The management fees that were due to the former owner of the Manager amounting to £261,030 have been paid on 22 October 2021. Other than that, there have been no other subsequent events to the period end that required disclosures or adjustments in the financial statements.