SOPRO HOLDINGS REAL ESTATE INVESTMENT TRUST PLC

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

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CORPORATE INFORMATION

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REPORT OF THE DIRECTORS

The Directors present their interim report on the affairs of SoPro Holdings Real Estate Investment Trust Plc (the "Company") and its subsidiaries (together the "Group") and the unaudited interim consolidated financial statements for the period ended 30 June 2023.

INCORPORATION

The Company was incorporated on 10 October 2014 as a public limited liability company under the Companies (Jersey) Law 1991, with registered number 116831. On 31 March 2015, the Company's shares were admitted to the official list of The International Stock Exchange ("TISE"). The shares of the Company are held by Cheyne Social Property Impact Holdings L.P. (the "Partnership"). The Partnership receives contributions from its direct investors and Feeder entities. The Group, Partnership and the Feeder entities are together the "Fund".

The Company is tax resident in the United Kingdom. With effect from 1 January 2016, the Company became a UK Real Estate Investment Trust ("REIT").

REGULATION

The Company has been formed to act as a collective investment fund authorised pursuant to the Collective Investment Funds (Jersey) Law, 1988, as an expert fund.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is to invest in UK properties so as to increase the capacity of councils and social sector organisations ("SSOs") to deliver front line services. SSOs are organisations that exist primarily to deliver a positive social impact such as social housing and care facilities, and the Company will work with the SSOs to invest in existing or develop new properties, which will be purchased by the Company and leased to the SSOs. The investment objective of the Company is capital growth and income generation. The Company will aim for a balanced approach to financial return and social impact of each investment and will acquire interests only in Permitted Investments as defined in the Company's Information Memorandum.

On 18 January 2022, the Partnership's investors were requested to consent to a further extension of the life of the Fund to 30 September 2023. The required majority investor consents were subsequently received and the Partnership's General Partners approved the implementation of the Partnership's changes on 9 February 2022.

Subsequent to the period end on 08 September 2023, the Partnership's investors were notified of the intention to extend the life of the Fund beyond 30 Septembeer 2023, to allow for more time to realise the remaining positions and avoid forced sales at depressed valuations.

INVESTMENTS

During the period, the Group in line with its wind up process, continued to sollicit and receive offers for the disposal of its remaining properties and subsidiaries. There was no acquisition or disposal during the period.

RESULTS AND DIVIDENDS

The results for the period are shown on page 7. On 3 February 2023, the Company paid a return of capital distribution amounting to £10 million to its sole shareholder. A total of 9,031.1312 ordinary shares of the Company were repurchased amounting to £90 share capital and £9,999,910 share premium.

SECRETARY

The Secretary of the Company during the period and subsequently was Apex Secretaries Limited (formerly Sanne Secretaries Limited).

REPORT OF THE DIRECTORS - (CONTINUED)

DIRECTORS

The Directors of the Group during the period and subsequently were:

Philip Turpin
Richard Lang
Andrew Sergeant
Joseph Ruiz
Sandra Wittmann
Jonathan Wilkinson

None of the Directors hold any direct personal interest in the shares of the Company.

GOING CONCERN

The Company's business activities are set out in the 'Principal activities and review of the business' section of the Report of the Directors on page 3. The Directors have decided to prepare the interim financial statements on a basis other than that of a going concern, which assumes that the Group will terminate and cease operations within the foreseeable future. A basis other than going concern includes, where appropriate, writing down assets to their realisable values and recognising commitments held at the balance sheet date that have become onerous. There are currently plans to further extend the Life of the Partnership and thus the Group, beyond its updated expiry date of 30 September 2023, to allow more time for the disposal of the remaining positions. The Group is in a period of managed wind down with the objective to realise its assets at the best available prices. The financial statements do not include any provision for the future costs of terminating the business of the Group except to the extent that such costs were committed at the end of the reporting period.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Pursuant to the Companies (Jersey) Law 1991 (the "Law"), the Group is required to prepare consolidated financial statements for each financial period. The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements are required by Law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group'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 IASB'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.

REPORT OF THE DIRECTORS - (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS - (CONTINUED)

However, Directors are also required to:

- properly select and consistently apply accounting policies;
- make judgments and estimates that are reasonable and prudent;
- 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 are insufficient to enable users to understand the impact of a particular transaction, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern. (As explained in note 2, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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

The Directors confirm they have complied with the above requirements throughout the period ended 30 June 2023 and subsequently.

BY ORDER OF THE BOARD

Director:
Date: 12/10/2023

REPORT OF THE INVESTMENT ADVISER

The Fund is a socially responsible landlord that works with social sector organisations to deliver additional homes and facilities required to address the UK's social challenges. The Fund raised commitments totalling £220 million from a combination of institutional investors (including pension funds, insurance companies and endowments/foundations/charities), family offices and high net worth individuals. Key principals of Cheyne Capital have also invested in the Fund.

The Fund committed to a diversified portfolio of investments across the UK, with a total investment value of £157.8 million. All the investments had long-dated (15 years plus) Consumer Price Index linked fully repairing leases against residential properties at inception.

The Fund is now in its Realisation Period and Cheyne Capital is working to achieve a realisation of all investments and the ultimate liquidation of the Fund.

Cheyne Capital Management (UK) LLP
Investment Adviser
Date: 12/10/2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

	Notes	Period from 01-Jan-23 to 30-Jun-23 £	Period from 01-Jan-22 to 30-Jun-22 £
REVENUE			
Rental income	15	1,900,363	2,395,517
Other income		121,098	463,919
		2,021,461	**2,859,436**
EXPENSES			
Service charge expenses		(26,070)	(22,395)
Insurance fees	11	(82,352)	(101,296)
Property operating expenses	11	(84,963)	(25,994)
Administrative expenses	11	(123,328)	(140,576)
Audit fees	11	(55,050)	(73,050)
Legal and other professional expenses	11	(104,085)	(300,542)
Director fees	11	(5,355)	(5,355)
Regulatory and annual listing fees		(9,819)	(8,449)
Other operating expenses		(1,876)	(2,498)
		(492,898)	(680,155)
OPERATING PROFIT		**1,528,563**	**2,179,281**
Net loss on fair value adjustment on investment properties	5	(7,782,147)	(2,439,603)
Net operating loss		**(6,253,584)**	**(260,322)**
NET FINANCE COSTS			
Finance income		47,936	259
Finance costs		(7,312)	(8,740)
Net finance income/ (costs)		**40,624**	**(8,481)**
LOSS BEFORE TAX		(6,212,960)	(268,803)
Income tax charge	12	(11,227)	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,224,187)**	**(268,803)**
Attributable to:			
Equity holders of the Group		(6,231,102)	(183,823)
Non-controlling interests	17	6,915	(84,980)
Basic and diluted earnings per share	18	(64.31)	(1.44)

All items dealt with in arriving at the consolidated statement of comprehensive income for the period ended 30 June 2023 and 30 June 2022 relate to discontinuing operations.

(The notes on pages 11to 33 form part of these unaudited interim consolidated financial statements)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	30-Jun-23	31-Dec-22
		£	£
ASSETS			
Current assets			
Investment properties	4,5	83,616,480	91,408,402
Investment in non Group entity	4	62	62
Prepayments		131,521	171,575
Trade and other receivables	8	2,291	253,288
Cash and cash equivalents	7	20,120,413	28,232,404
Total current assets		103,870,767	120,065,731
TOTAL ASSETS		**103,870,767**	**120,065,731**
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	9	3,063,369	2,782,329
Total current liabilities		3,063,369	2,782,329
Equity			
Share capital	13	969	1,059
Share premium	13	103,908,523	113,908,433
Retained earnings		(7,598,943)	(1,367,841)
Total equity attributable to equity holders of the Group		96,310,549	112,541,651
Non-controlling interests	17	4,496,849	4,741,751
Total equity		**100,807,398**	**117,283,402**
TOTAL EQUITY AND LIABILITIES		**103,870,767**	**120,065,731**

The unaudited interim consolidated financial statements were approved and authorised for issue by the Directors on the 12th day of October 2023 and were signed on its behalf by:

Director

(The notes on pages 11 to 33 form part of these unaudited interim consolidated financial statements)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

		Attributable to equity holders of the Group					
	Notes	Share Capital	Share Premium	Retained Earnings	Total	Non-controlling interest	Total Equity
		£	£	£	£	£	£
Balance at 1 January 2022		**1,337**	**145,436,086**	**9,147,557**	**154,584,980**	**4,208,460**	**158,793,440**
Issue of shares/capital	17	-	-	-	-	213,303	**213,303**
Share capital repurchased	13	(59)	(6,999,941)	-	(7,000,000)	-	**(7,000,000)**
Dividend paid	13	-	-	(3,000,000)	(3,000,000)	-	**(3,000,000)**
Total comprehensive loss for the period		-	-	(183,823)	(183,823)	(84,980)	**(268,803)**
Balance at 30 June 2022		**1,278**	**138,436,145**	**5,963,734**	**144,401,157**	**4,336,783**	**148,737,940**
Balance at 1 January 2023		**1,059**	**113,908,433**	**(1,367,841)**	**112,541,651**	**4,741,751**	**117,283,402**
Issue of capital	17	-	-	-	-	-	**-**
Share capital repurchased/(adjustments)	13	(90)	(9,999,910)	-	(10,000,000)	(251,817)	**(10,251,817)**
Total comprehensive loss for the period		-	-	(6,231,102)	(6,231,102)	6,915	**(6,224,187)**
Balance at 30 June 2023		**969**	**103,908,523**	**(7,598,943)**	**96,310,549**	**4,496,849**	**100,807,398**

(The notes on pages 11 to 33 form part of these unaudited interim consolidated financial statements)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

	Notes	Period from 01-Jan-23 to 30-Jun-23 £	Period from 01-Jan-22 to 30-Jun-22 £
Cash flows from operating activities			
Total comprehensive loss for the period before tax and non controlling interest		(6,212,960)	(268,803)
Adjustments for:			
Finance costs		7,312	8,740
Net loss on fair value adjustment on investment properties	5	7,782,147	2,439,603
Income tax paid	12	(11,227)	-
Changes in working capital:			
Decrease in prepayments		40,054	70,067
(Increase)/Decrease in trade and other receivables		(821)	205,923
Increase in trade and other payables		371,555	248,497
		1,976,058	2,704,027
Finance costs paid		(7,312)	(8,740)
Net cash generated from operating activities		**1,968,746**	**2,695,287**
Capital expenditure on investment properties	5	(80,737)	(32,291)
Net cash used in investing activities		**(80,737)**	**(32,291)**
Cash flows from financing activities			
Repurchase of share capital	13	(10,000,000)	(7,000,000)
Dividend paid	13	-	(3,000,000)
Net cash used in financing activities		**(10,000,000)**	**(10,000,000)**
Net decrease in cash and cash equivalents		(8,111,991)	(7,337,004)
Cash and cash equivalents at the beginning of the period		28,232,404	31,855,380
Cash and cash equivalents at the end of the period		**20,120,413**	**24,518,376**

(The notes on pages 11 to 33 form part of these unaudited interim consolidated financial statements)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

1. GENERAL INFORMATION

SoPro Holdings Real Estate Investment Trust Plc (the "Company") was incorporated on 10 October 2014 as a public limited liability company under the Companies (Jersey) Law 1991, with registered number 116831. On 31 March 2015, the Company's shares were admitted to the official list of The International Stock Exchange ("TISE"), formerly known as Channel Islands Securities Exchange Authority Limited. Effective 1 January 2016, the Company gave notice that it expected to satisfy the relevant conditions for entry to become a UK Real Estate Investment Trust ("REIT"). HMRC acknowledged this declaration on 8 January 2016. The Company and its subsidiaries are together (the "Group").

The principal activity of the Company is to invest in UK properties so as to increase the capacity of councils and social sector organisations ("SSOs") to deliver front line services. SSOs are organisations that exist primarily to deliver a positive social impact such as social housing and care facilities, and the Company will work with the SSOs to invest in existing or develop new properties, which will be purchased by the Company and leased to the SSOs. The investment objective of the Company is capital growth and income generation. The Company will aim for a balanced approach to financial return and social impact from each investment and will acquire interests only in Permitted Investments as defined in the Company's Information Memorandum.

Investment Adviser Registration

Cheyne Capital Management (UK) LLP (the "Investment Adviser"), a United Kingdom limited liability partnership, is registered with the Commodity Futures Trading Commission (CFTC) and National Futures Association (NFA).

The Investment Adviser is authorised by the Financial Conduct Authority as an Alternative Investment Fund Manager (AIFM) under the AIFMD.

The Investment Adviser is registered with the U.S. Securities and Exchange Commission (SEC) under Section 203 of the Investment Advisors Act of 1940.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these unaudited interim consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

a) Basis of preparation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), International Financial Reporting Interpretations Committee ("IFRIC") and the Companies (Jersey) Law 1991.

Under Article 105(11) of the Companies (Jersey) Law 1991, the Directors of a holding company need not prepare separate accounts (i.e. Company only accounts) if consolidated accounts of the Company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company have not passed a resolution requiring separate accounts and in the Directors' opinion, the Company meets the definition of a holding company. As permitted by law, the Directors have opted not to prepare separate accounts.

b) Preparation of consolidated financial statements

The unaudited interim consolidated financial statements have been prepared on a basis other than that of a going concern. As a result, assets are stated at their net realisable values and liabilities are stated at their settlement values and accordingly non-current assets/liabilities are classified as current assets/liabilities. No adjustments have been made to the carrying values of the assets/liabilities as a result of preparing on a basis other than that of a going concern. Further details are disclosed in note 2d.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

b) Preparation of consolidated financial statements - (continued)

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Company's consolidated financial statements therefore present the financial position and results fairly. 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 3.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities including the portfolio companies over which the Group has control.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The inclusion of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances. All the Group's subsidiaries have 30 June as their interim period end. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets, are measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

b) Preparation of consolidated financial statements - (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries

The list of the subsidiaries which are included in the Group's consolidated financial statements with their respective legal ownership percentages by the Group is as follows:

Name of subsidiary	**Country of incorporation**	**Activity**	**SSO**	**Ownership proportion 30-Jun-23**	**31-Dec-22**
Touchpoint Housing (CLR) Ltd	England and Wales	Property holding	Local authority	100%	100%
Touchpoint Housing (CNR) Ltd	England and Wales	Property holding	Local authority	100%	100%
Touchpoint Housing (CWH) Ltd	England and Wales	Property holding	Local authority	100%	100%
Dunmail 2017 Project Limited	England and Wales	Property holding	Local authority	90%	90%
Touchpoint Housing (LBB) Ltd	England and Wales	Property holding	Local authority	100%	100%
Elderberry Walk Management Company	England and Wales	Property management	Local authority	90%	90%
SoPro Holdings Limited	Jersey	Holding company	holding company	100%	100%

Disposal of subsidiary investments

In the prior year, the Group in line with its wind up process, completed the liquidations of Touchpoint Housing (SKI) Ltd, whose investment properties were sold. The disposal process is still ongoing in connection with the remaining investments.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

c) Income and Cash flow statements

The Group presents its consolidated statement of comprehensive income by nature of expense. The Group reports cash flows using the indirect method.

The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

d) Going concern

The Company's business activities are set out in the 'Principal activities and review of the business' section of the Report of the Directors on page 3. The Directors have decided to prepare the interim financial statements on a basis other than that of a going concern, which assumes that the Group will terminate and cease operations within the foreseeable future. A basis other than going concern includes, where appropriate, writing down assets to their realisable values and recognising commitments held at the balance sheet date that have become onerous. There are currently plans to further extend the Life of the Partnership and thus the Group, beyond its updated expiry date of 30 September 2023, to allow more time for the disposal of the remaining positions. The Group is in a period of managed wind down with the objective to realise its assets at the best available prices. The financial statements do not include any provision for the future costs of terminating the business of the Group except to the extent that such costs were committed at the end of the reporting period.

e) Dividends

Dividend distributions to the shareholders are recognised in the Group's financial statements in the period in which the dividends are approved by the Directors.

f) Foreign currencies

Functional and presentation currency

Items included in the interim financial statements are measured using the currency of the primary economic environment in which the Group operates; its functional currency. As all investments held by the Group and financing received by the Group are in Sterling (GBP), this is considered to be the functional and presentational currency of the Group.

Foreign currency translation

Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the financial position date. Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Foreign exchange gains or losses resulting from settlement of such transactions on transaction dates and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are presented net in the consolidated statement of comprehensive income.

g) Interest income and interest expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the consolidated statement of comprehensive income using the effective interest method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. It includes interest income from cash and cash equivalents and assets held for investment.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the consolidated statement of financial position.

i) Leases

Leases for which the Group is a lessor are classified as finance or operating leases. Where the Group is the lessor in an operating lease, the market value of the properties leased out are included in investment property in the consolidated statement of financial position. See below for the recognition of rental income.

Where the Group is the lessee in a finance lease, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

j) Revenue recognition

Revenue includes rental income, development income and recoverable expenses from properties leased to SSOs.

Rental income is measured in accordance with IFRS 16. Rental income from operating leases is net of sales taxes and VAT and is recognised on a straight-line basis over the lease term. The initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the rental income.

Contingent rents are recorded as income in periods when they are earned. Contingent rents are payments that are not fixed at the inception of the lease, for example increases arising on rent reviews. Rent reviews which remain outstanding at the period end are recognised as income, based on estimates, when it is reasonable to assume that they will be received.

Accounting policy relating to revenue from the development activities is disclosed in note 2(r).

Revenue is recognised in the accounting period in which services are rendered.

k) Investment property

Property that is held for long-term rental yields or capital appreciation or both, and that is not occupied by the Group, is classified as investment property (including property under construction for such purposes).

The Group can also acquire land for construction of investment properties.

Investment property is recognised initially at its cost, including related transaction costs and (where applicable) borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

k) Investment property - (continued)

After initial recognition, investment property is carried at fair value. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The professional valuers use recognised valuation techniques and the principles of IFRS 13.

The fair value of investment property reflects, among other things, rental income and yields from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Changes in fair value are recognised in the consolidated statement of comprehensive income.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income within net change from fair value adjustments on investment property and net loss on fair value adjustment on non-current assets classified as held-for-sale.

l) Investment disposals

Income obtained by the sale of an investment is recognised when the significant risks and returns have been transferred to the buyer. This will normally take place on exchange of contracts unless there are significant conditions attached. For conditional exchanges, sales are recognised when these conditions are satisfied.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss in the period the control is lost, is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

m) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, fair value through other comprehensive income (FVOCI) or amortised cost, as appropriate. The Group determines the classification of its financial assets at initial recognition and is driven by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets recognised in the statement of financial position consist of trade and other receivables and cash and cash equivalents.

After initial recognition these financial assets are subsequently measured at amortised cost using the effective interest method less provision for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

m) Financial assets - (continued)

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within scope include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2') and
• 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

If in a subsequent period the amount of the impairment loss/expected credit loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss/expected credit loss is recognised in the consolidated statement of comprehensive income.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and comprise of put options for property acquisitions held during the period (see note 10). Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. If the fair value of the put options result in an asset position then any movements in the fair value of the asset will be recognised within net changes from fair value adjustments on financial derivatives within the consolidated statement of comprehensive income. If the fair value results in a liability position then movement in the fair value will be recognised within the consolidated statement of comprehensive income as net changes from fair value adjustments on financial derivatives.

The Group does not apply hedge accounting rules in accordance with IFRS 9 Financial Instruments: Recognition and Measurements ("IFRS 9"). Recognition of derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially at fair value. Transaction costs are expensed to the consolidated statement of comprehensive income as finance costs. Gains and losses on derivatives are recognised in the consolidated statement of comprehensive income. Interest income and expenses on derivatives are included in the consolidated statement of comprehensive income in finance income and finance costs respectively.

n) Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. All loans are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method (see the accounting policy on 'Borrowings').

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

n) Financial liabilities - (continued)

Financial liabilities include trade and other payables and borrowings and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted and its amortised cost is the same as the fair value on date of origination given the short length of time between origination and date of settlement.

o) Provisions

Provisions are recognised when:
- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

p) Taxation

The Group operates as a REIT and therefore profits and gains from its qualifying property rental business are exempt from direct taxation provided the REIT conditions are met.

Current tax is recognised in the consolidated statement of comprehensive income for profit or loss not exempt under UK-REIT regulations, except to the extent that it relates to items recognised directly in other comprehensive income or equity in which case, the tax is also recognised in other comprehensive income or equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the Directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

q) Share capital and reserves

Shares and reserves are classified as equity when there is no obligation to transfer cash or other assets.

r) Construction of residential properties

The Group constructs and sells residential properties under long-term contracts with customers. Such contracts are entered into before construction of the residential properties begins. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

r) Construction of residential properties - (continued)

The Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a third party assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Principal judgements underlying management's estimation of fair value

Estimates

The Group uses external professional valuers to determine the investment property fair value estimates. The primary source of evidence for investment property valuations should be recent, comparable market transactions on an arm's length basis. However, the valuation of the Group's investment property portfolio is inherently subjective, as it is made on the basis of assumptions made by the valuers which may not prove to be accurate.

The investment properties have been valued by the appointed external valuer, CBRE Limited ("CBRE"), as described below. By necessity a valuation requires subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser or another party undertaking a valuation.

The Group's investment properties are stated without adjustment at the fair value calculated by the independent valuer using a combination of the market comparable approach and the income approach for tenanted investment properties and for the investment properties not tenanted and undergoing refurbishment work, fair value is calculated as acquisition cost plus refurbishment costs incurred. The valuer derives a residual value for the investment property having considered the planned use and estimating the future value of the units with reference to information in the market for comparable properties gathered from numerous sources including but not limited to other agents and the Land Registry database subscribed to by the valuer. In estimating the fair value of the investment property under development, the highest and best use of the property was considered to be the planned future use. In estimating the fair value of the other investment properties, the highest and best use of the property is considered to be the current use. The Directors are entitled to rely upon and have relied upon the valuations provided by the independent valuer, but are not bound by such valuations.

The Directors are satisfied that this independent valuation is the best available estimate of the fair value of the Group's investment properties as at 30 June 2023 and 31 December 2022.

Please refer to note 4 for sensitivity disclosures on investment properties.

ii) Judgement on lease classifications

Judgements have been used to classify whether leases are finance and operating leases, especially where the lessees have the option to purchase at the end of the lease terms.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - (CONTINUED)

iii) Principal judgements underlying the REIT status

SoPro Holdings Real Estate Investment Trust Plc obtained REIT status in 2016 and does not pay tax on its property income or gains on property sale, provided that 90% of the Group's property rental business profits is distributed as a dividend to the shareholders. In addition, the Group has to meet certain conditions such as ensuring the property rental business represents more than 75% of the Group's business. Any potential or proposed changes to the REIT legislation are monitored and if necessary, would be discussed with HMRC. It is the Directors' intention that the Group will continue as a REIT for the foreseeable future.

iv) Fair value of derivative financial instruments

Estimates
Put options
As there are no pricing sources (such as pricing agencies), these are measured based on the likelihood of being exercised based on existing market conditions of the respective properties, to determine whether the put options are in the money or out of money.

The primary source of evidence for financial instrument valuations should be recent, comparable market transactions on an arm's length basis. However, the valuation of the Group's financial instruments is inherently subjective, as it is made on the basis of assumptions made by the pricing agencies and management which may not prove to be accurate.

4. FAIR VALUE ESTIMATION

The Group's financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring their fair value in accordance with IFRS 13:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include the following:
  a) Quoted prices for similar assets or liabilities in active markets.
  b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
  c) Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rate and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates).
- Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Group’s own assumptions about how the market measures the fair value.

Financial assets and liabilities are always categorised as Level 1, 2 or 3 in their entirety. In certain cases, the fair value measurement for financial assets and liabilities may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, their level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement and is specific to the financial asset or liability.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

4. FAIR VALUE ESTIMATION - (CONTINUED)

The policies for determining when transfers take place are as follows; transfers are made from Level 1 to Level 2 when the level of trading activity reduces significantly and transfer from Level 3 to Level 2 when information on a similar asset traded in an active market becomes available.

The Group has satisfactory title to all owned assets appearing in the consolidated statement of financial position but it should be noted that trading documents entered into by the Group may result in pledges made on such assets.

The Investment Adviser has established an internal control infrastructure over the valuation of financial instruments that requires ongoing oversight by the Pricing Committee. These management control functions are segregated from the trading and investing functions. The Investment Adviser employs resources to help ensure that the Pricing Committee is able to function at an appropriate level of quality and effectiveness. The Investment Adviser reviews the segregation of duties within its internal control infrastructure. Specifically, the Pricing Committee is responsible for establishing and monitoring compliance with valuation polices. Within the trading and investing functions, the Investment Adviser has established policies and procedures that relate to the approval of all new transaction types, transaction pricing sources and fair value hierarchy coding within the financial reporting system. Unobservable inputs are developed based on the best information available in the circumstances, other than market data obtained from sources independent of the Group and might include the Group's own data.

The Group's assets and liabilities that are measured at fair value are classified as follows:

As at 30 June 2023	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**
Investment properties	-	-	83,616,480
Investment in non Group entity	-	-	62
	-	**-**	**83,616,542**
As at 31 December 2022			
Investment properties	-	-	91,408,402
Investment in non Group entity	-	-	62
	-	**-**	**91,408,464**

There were no transfers between the hierarchy levels during the period ended 30 June 2023 and year ended 31 December 2022.

The most significant unobservable input in relation to the investment properties, relates to the yield. The yield is estimated to reflect current market assessment of the time value of future cash flows and the risks specific to the assets. The average estimated yield recommended by the Valuer for investment properties (completed assets) with leases was 4.22% (31 December 2022: 3.59%).

The following sensitivity analysis has been performed by the Apex Group Fiduciary Services Limited (formerly Sanne Fiduciary Services Limited), as Administrator, with all other things being equal:

An increase in the yield of 0.25% (31 December 2022: 0.25%) over the useful economic life of the assets would result in a reduction in the completed assets valuation by £5,167,614 (31 December 2022: £6,365,695).

A decrease in the yield of 0.25% (31 December 2022: 0.25%) over the useful economic life of the assets would result in an increase in the completed assets valuation by £5,167,614 (31 December 2022: £10,809,438).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

5. INVESTMENT PROPERTIES

The valuations prepared by CBRE, were prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Professional Standards 2020 Global and UK edition (the "Red Book") including the international standards.

	30-Jun-23	31-Dec-22
Cost	**£**	**£**
Balance at beginning of period/year	99,766,700	124,062,620
Development costs written off	(90,512)	(4,202,542)
Capital expenditure	80,737	1,628,609
Disposal of investment properties	-	(21,721,987)
Balance at the end of the period/year	99,756,925	99,766,700
Opening fair value movement on investment properties	(8,358,298)	7,868,345
Fair value movement on investment properties	(7,782,147)	(11,919,560)
Net loss on disposal of investment properties	-	2,758,493
Disposal of investment properties	-	(7,065,576)
Closing fair value movement on investment properties	(16,140,445)	(8,358,298)
Fair value at the end of the period/year	**83,616,480**	**91,408,402**

In 2022 the development costs written off amounting to £4,202,542 include the accrued costs incurred on properties held by TouchPoint Housing (SKI) Ltd (£1,795,930) written off on disposal and the Group/NCI cost portion on the Touchpoint (CNR) Ltd-Consolidated (£2,406,412).

In 2023, the development costs written off amounting to (£90,512) include the accrued costs incurred on properties held by Touchpoint Housing (CNR) Ltd.

Kelham Island, Sheffield, SKI properties, UK

Touchpoint Housing (SKI) Limited, a UK company, was acquired on 26 May 2016. The investment objective of this subsidiary was to acquire land and build developments for leasing in Kelham Island, Sheffield. In September 2022, the SKI properties were sold for a total consideration of £28,495,655 resulting in a realised gain on disposal of £2,706,585.

Concord House, Sycamore House & Windsor House, Croydon

The acquisition of investment properties ("CLR properties") via Touchpoint Housing (CLR) Ltd, a UK company, was completed on 28 December 2016. The properties comprised of three buildings being Concord House, Sycamore House and Windsor House and are made up of a total of 338 apartments located on London Road in Croydon. The cost of the acquisition as at the period end amounted to £61,106,365 (31 December 2022: £61,106,365). On 30 July 2018, the Windsor House property was transferred to a new subsidiary Touchpoint Housing (CWH) Ltd via a distribution in specie following restructuring of Touchpoint Housing (CLR) Ltd.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

5. INVESTMENT PROPERTIES - (CONTINUED)

Bristol and Bath Regional Capital ("Bristol properties"), UK

Touchpoint Housing (CNR) Ltd ("CNR") acquired 90% of the shares in Dunmail 2017 Project Ltd ("Dunmail") in March 2018 for £90. Dunmail is the developer in a 161 unit development in the Southmead area of Bristol. CNR will hold 61 of the 161 Units of the Dunmail Project, Dunmail will retain and sell 23 and the JV partner will take the remaining units.

The Group had invested £14,918,953 (31 December 2022: £14,928,728) via an interest bearing loan and acquisition of 16 units (31 December 2022: 16 units).

London Borough of Barnet ("LBB"), London

The acquisition and refurbishment of up to 180 open market properties ("LBB properties"), within the M25, via its subsidiary Touchpoint Housing (LBB) Ltd, was approved on 12 February 2019. The LBB properties are used as temporary accommodation to satisfy LBB's homelessness obligations. The properties are 1-4 bedroom flats acquired individually or in blocks. In 2021, the Group sold one property for a total consideration of £382,267, resulting in a realised gain on disposal of £12,667 and a further property in 2022 for a total consideration of £301,908, resulting in a realised gain on disposal of £51,908. The cost of the remaining property acquisitions as at the period end amounted to £23,731,608 (31 December 2022: £23,731,608).

The Fund enters into leases with two different counterparties, being local authorities and Housing Associations. The credit worthiness of those counterparties is considered in the valuation of the investments. Therefore the investments are grouped by the type of counterparty to whom a lease has already been entered into.

	30-Jun-23	31-Dec-22
SSO:	**£**	**£**
Local authorities	83,616,480	91,408,402
	83,616,480	**91,408,402**

The judgements and estimates relating to the valuation of the above investment properties have been included in note 3.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

6. FINANCIAL RISK MANAGEMENT

Financial risks are risks arising from financial instruments to which the Group is exposed to during or at the end of the reporting period. Financial risk comprises credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Risk management is carried out by the Directors and Investment Adviser in accordance with agreed procedures. Key financial risk management reports are produced on a quarterly basis to the Board of Directors for their consideration and review thereof.

The Directors review and agree policies for managing its risk exposure. These policies are described within this note and have remained unchanged for the period under review.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, trade and other receivables, including rental receivables from lessees, rental guarantees and derivatives. Credit risk is managed on a Group basis.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Alternatively the Group may ensure that an appropriate rent deposit or guarantee is put in place. The Group's tenants are SSOs, who deliver front line services on behalf of local governments and usually receive grants or income from local government to provide social housing accommodation and thus deemed to have a low credit risk.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	30-Jun-23	31-Dec-22
	£	£
Trade receivables	-	234,785
Cash and cash equivalents	20,120,413	28,232,404
	20,120,413	28,467,189

The fair value of cash and cash equivalents and trade and other receivables at 30 June 2023 and 31 December 2022 approximates the carrying value. Further details regarding trade and other receivables can be found in note 8. There is credit risk with respect to cash and cash equivalents which are held with reputable financial institutions with a credit rating of A or better. As at 30 June 2023 and 31 December 2022, cash balances were held with The Bank of New York Mellon.

The following table is a summary of the banking institution's credit rating per Moody's, S&P and Fitch, Credit Rating Agents as at the reporting date:

30 June 2023

	Moody's	S&P	Fitch
The Bank of New York Mellon	Aa1	AA-	AA+

31 December 2022

	Moody's	S&P	Fitch
The Bank of New York Mellon	Aa1	AA-	AA+

There is no material credit risk associated with the Group's financial liabilities (31 December 2022: nil).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

6. FINANCIAL RISK MANAGEMENT - (CONTINUED)

b) Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group's liquidity position is reviewed by the Directors of the Group as part of their quarterly review.

The Group’s ability to borrow from third parties is subject to certain limitations ("Financial Restrictions") provided for in its Information Memorandum. The Financial Restrictions allow a Group subsidiary to borrow for any purpose consistent with the business of the Group including making investments, provided that only income producing assets are borrowed against and with no recourse to the Group and subject to a maximum borrowing level equivalent to 70% of the value of any investment as determined by an independent valuer in accordance with RICS guidelines. No third party loan was held at period end.

The Group manages its liquidity risk by a combination of (i) issue of new ordinary shares financed via drawdowns from the Partnership, (ii) maintaining cash levels to fund short-term operating expenses and (iii) retained profits.

The tables below summarises the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual maturities as at 30 June 2023 and 31 December 2022:

30 June 2023	**Current to 3 months £**	**3 months to 1 year £**	**1 year to 5 years £**	**5 years + £**	**Total £**
Trade receivables	-	-	-	-	-
Cash and cash	20,120,413	-	-	-	20,120,413
	20,120,413	**-**	**-**	**-**	**20,120,413**
Financial liabilities	**Current to 3 months £**	**3 months to 1 year £**	**1 year to 5 years £**	**5 years + £**	**Total £**
Trade and other payables	(2,955,674)	-	-	-	(2,955,674)
	(2,955,674)	**-**	**-**	**-**	**(2,955,674)**
Net liquidity risk	**17,164,739**	**-**	**-**	**-**	**17,164,739**

31 December 2022	**Current to 3 months £**	**3 months to 1 year £**	**1 year to 5 years £**	**5 years + £**	**Total £**
Trade receivables	234,785	-	-	-	234,785
Cash and cash	28,232,404	-	-	-	28,232,404
	28,467,189	**-**	**-**	**-**	**28,467,189**
Financial liabilities					
Trade and other payables	(2,774,839)	-	-	-	(2,774,839)
	(2,774,839)	**-**	**-**	**-**	**(2,774,839)**
Net liquidity risk	**25,692,350**	**-**	**-**	**-**	**25,692,350**

The amounts disclosed in the tables are the contractual undiscounted cash flows.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

6. FINANCIAL RISK MANAGEMENT - (CONTINUED)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. The Investment Manager sets limits on the exposure to interest rate risk that may be accepted, which are monitored on a monthly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

IFRS 7 requires disclosure of a 'sensitivity analysis' for each type of market risk to which the entity is exposed to at the reporting date, showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. Changes in some of the factors may be correlated - changes in interest rate and changes in foreign currency rates or market valuations and property prices. Sensitivity analysis on the valuation of the investment properties has been detailed in note 4.

i) Foreign exchange risk

The Group is currently not exposed to significant foreign currency risk as material transactions are all in GBP.

ii) Price risk

The Group was exposed to financial instrument price risk through the put option on the Luton properties until the properties were sold during 2021. The risk crystalised with their disposal. Other put options held with other properties as disclosed in note 10.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property rentals risk. The Group has mitigated the price risk from rentals by only dealing with SSOs with guaranteed income from benefits paid to the tenants by government and/or local authorities.

iii) Cash flow and fair value interest rate risk

The Group holds cash balances with The Bank of New York Mellon. These balances expose the Group to cash flow interest rate risk as the Group's income and operating cash flows will be affected by movements in the market rate of interest. There is considered to be no material fair value interest rate risk in regard to these balances.

Trade and other receivables and trade and other payables are interest free and with a term of less than one year, so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The table below summarises the Group's exposure to cash flow interest rate risk.

30 June 2023 **Financial assets**	**Non-interest bearing** **£**	**Fixed rate** **£**	**Floating rate** **£**	**Total** **£**
Trade receivables	-	-	-	-
Cash and cash equivalents	-	-	**20,120,413**	**20,120,413**

Financial liabilities	**Non-interest bearing** **£**	**Fixed rate** **£**	**Floating rate** **£**	**Total** **£**
Trade and other payables	**(2,955,674)**	-	-	**(2,955,674)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

6. FINANCIAL RISK MANAGEMENT - (CONTINUED)

c) Market risk - (continued)

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

31 December 2022	**Non-interest bearing**	**Fixed rate**	**Floating rate**	**Total**
Financial assets	**£**	**£**	**£**	**£**
Trade receivables	234,785	-	-	234,785
Cash and cash equivalents	-	-	28,232,404	28,232,404
	234,785	**-**	**28,232,404**	**28,467,189**
Financial liabilities				
Trade and other payables	**(2,774,839)**	**-**	**-**	**(2,774,839)**

The average effective rate of interest applicable to cash and cash equivalents for the period ended 30 June 2023 was approximately 5.25% (31 December 2022: 0%).

iv) Sensitivity analysis

As of 30 June 2023, if interest rates had been 50 basis points higher with all other variables held constant, net asset value for the period would have been £120,882 lower (31 December 2022: £140,934 lower).

As of 30 June 2023, if interest rates had been 50 basis points lower with all other variables held constant, net asset value for the period would have been £120,882 higher (31 December 2022: £140,934 higher).

Please see note 4 for disclosures relating to the sensitivity analysis of investment properties.

d) Capital risk management

The capital of the Group is represented by the net assets attributable to the shareholders. The Group's objective when managing the capital is to safeguard the assets in order to provide returns for shareholders and to maintain a strong capital base to support the investment activities of the Group. In order to maintain or adjust the capital structure, the Directors may issue new shares to the sole shareholder, obtain external financing through the subsidiaries or withhold from distributing funds to the shareholders. There are no externally imposed capital requirements other than property income distribution (PID).

7. CASH AND CASH EQUIVALENTS

	30-Jun-23	**31-Dec-22**
	£	**£**
Cash at bank	20,120,413	28,232,404

As at period end, there was no restricted cash (31 December 2022: £nil).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

8. TRADE AND OTHER RECEIVABLES

	30-Jun-23	31-Dec-22
	£	£
Trade receivables	-	234,785
VAT receivable	2,291	18,503
	2,291	**253,288**

The expected credit loss on debtors approximates nil due to the Group's nature of tenants, backed by local governments.

9. TRADE AND OTHER PAYABLES

	30-Jun-23	31-Dec-22
	£	£
Trade payables and accruals	2,955,674	2,774,839
Deferred income	107,695	7,490
	3,063,369	**2,782,329**

Trade and other payables includes an amount of £2,868,747 (31 December 2022: £2,656,419) for the Dunmail project and other operating payables and accruals.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Group through its subsidiary Touchpoint Housing (CLR) Ltd had entered into a put option with the lessee, the Mayor and Burgesses of Luton Borough of Croydon (the 'lessee"), on the CLR properties in Croydon, granting the lessee the option to purchase the CLR properties at the expiry of their respective 40 year leases. The put options allow the lessee to purchase Sycamore House and Concorde House for 1 at the expiry of their respective leases and Windsor House at 95% of the then current market value of the property at the expiry of the 21 year lease term. As at year end, these options were deemed out-of-money and therefore hold no value.

The Group also through its subsidiary Touchpoint Housing (LBB) Ltd, entered into put options with the lessee, the Mayor and Burgesses of the London Borough of Barnet (the "lessee"), on the LBB properties in Barnet, granting the lessee the option to purchase the properties at the expiry of their respective 40 year leases. The put options allow the lessee to purchase the properties for £1 at the expiry of their respective leases. As at the period end, these options were deemed out-of-money and therefore hold no value.

The Group also through its subsidiary Touchpoint Housing (CNR) Ltd, entered into put options with the lessee, the Great Western Regional Capital Ltd (the "lessee"), on the Bristol properties, granting the lessee the option to purchase the properties at the expiry of their respective 40 year leases. The put options allow the lessee to purchase the properties for £1 at the expiry of their respective leases. As at year end, these options were deemed out-of-money and therefore hold no value.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

11. EXPENSES

Insurance fees

Insurance fees comprise of the property insurance for the Group's investment properties. The insurance fees for the period amounted to £82,352 (31 December 2022: £182,202).

Property operating expenses

Property operating expenses are costs incurred which can be directly attributed to the Group's real estate investments. The property operating expenses for the period amount to £84,963 (31 December 2022: £65,268), of which £nil (31 December 2022: £nil) was payable as at the period end, 30 June 2023.

Administration agreement

Apex Group Fiduciary Services Limited (formerly Sanne Fiduciary Services Limited) provides management and other services to the Group pursuant to the Administration Agreement entered into on 24 November 2014. The administration fees for the period amount to £123,328 (31 December 2022: £268,014).

Audit fees

Audit fees are fees paid / payable to Deloitte LLP, the appointed auditor, for the provision of audit services to the Group. The audit fees for the period amount to £55,050 (31 December 2022: £90,200). The balance outstanding as at the period end 30 June 2023 was £55,050 (31 December 2022: £89,625).

Legal and other professional fees

Legal and other professional expenses are costs incurred for fees paid to lawyers and agents for legal and professional advisory services. The legal and professional fees for the period amount to £104,085 (31 December 2022: £473,150), of which £nil (31 December 2022: £nil) was payable as at the period end, 30 June 2023.

Director fees

Director fees are fees paid for provision of director services to the Group. The Director fees for the period amount to £5,355 (31 December 2022: £10,710), of which £nil (31 December 2022: £nil) was payable as at the period end 30 June 2023. The Director fees are based on a standard rate amounting to £2,678 per quarter for the Company for Apex Group directors.

12. TAXATION

The tax credit for the period can be reconciled to the (loss)/profit per the consolidated statement of comprehensive income as follows:

	30-Jun-23	31-Dec-22
UK current tax	**£**	**£**
Loss on ordinary activities before taxation	(6,212,960)	(5,573,751)
Tax credit at the current UK corporation tax rate was 19% from 1 January 2023 - 31 March 2023 and 25% from 1 April 2023 (31 December 2022: 19%).	(1,366,851)	(1,059,013)
Tax effect of exempted UK property income under REIT regime	1,366,851	1,059,013
Tax result for the period/year	-	-

The Company had a stand-alone loss, after dividends expense, of £6,476,007 (31 December 2022: loss of £9,982,106).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

12. TAXATION - (CONTINUED)

The Group has elected to be treated as a Real Estate Investment Trust (REIT). The REIT regime exempts the profits of the Group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax provided the properties are not held for trading or sold within three years of completion of development.

As a REIT, the Group is required to pay property income distributions equal to at least 90% of the Group's exempted net income. To remain a REIT there are a number of conditions to be met in respect of the principal company of the Group, SoPro Holdings Real Estate Investment Trust Plc. Please refer to note 3 on assessment undertaken to ensure the Group meets the REIT requirements.

Luxembourg tax

Sopro Holdings Ltd paid an amount of tax of £11,227 in relation to its former Luxembourg subsidiaries which had already been liquidated.

13. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	30-Jun-23 £	31-Dec-22 £
Opening share capital	1,059	1,337
Share capital repurchased in current period/year	(90)	(278)
Closing share capital	**969**	**1,059**

(b) Share premium

	30-Jun-23 £	31-Dec-22 £
Opening share premium	113,908,433	145,436,086
Share premium repurchased in current period/year	(9,999,910)	(31,527,653)
Closing share premium	**103,908,523**	**113,908,433**

The authorised share capital of the Company consists of 300,000 (31 December 2022: 300,000) ordinary shares of £0.01 each.

During the period, no ordinary shares were issued to the sole shareholder (31 December 2022: nil). 9,031.1312 ordinary shares of the Company were repurchased in the period amounting to £90 share capital and £9,999,910 share premium.

As at 30 June 2023, a total of 96,889.03 ordinary shares had been issued and fully paid (31 December 2022: 105,920.17 ordinary shares) amounting to £968.84 share capital and £103,908,523 share premium (31 December 2022: £1,059 share capital and £113,908,432 share premium). The Company has one class of ordinary shares which carry no right to fixed income.

On 4 February 2022, the Company paid a dividend of £3,000,000 (31 December 2022: £4,472,069) to its sole shareholder. The dividend was an interim payment of the property income distribution ("PID") for the year ended 31 December 2021.

Please refer to the subsequent events note regarding the payment of the 2022 PID.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

14. CONTINGENCIES AND COMMITMENTS

The Group has a contingent liability relating to a potential withholding tax liability ('liability') arising from dividends paid by subsidiaries incorporated in Luxembourg. As the related tax exposure is not confirmed and uncertainty exists, the liability is deemed to be not probable at this stage. However, the Group decided to insure against the potential risk to mitigate against the contingent liability and paid a premium amounting to £2,973,936 during 2021.

15. LEASING ARRANGEMENTS

The property rental income earned during the year by the Group as lessor was £4,558,333 (31 December 2021: £5,369,739). With the exception of the CLR, LBB and CNR properties where the lessees have the right to exercise the put option as disclosed in note 3 and note 10, lessees do not have an option to purchase the property at the expiry of the lease period. The risks in relation to the leases are discussed in the sensitivity analysis in note 6.

The following table sets out a maturity analysis of lease payments, showing the undiscounted and untrended lease payments to be received after the reporting date.

	30-Jun-23	31-Dec-22
	£	£
Year 1	3,858,723	3,814,664
Year 2	3,858,723	3,858,723
Year 3	3,858,723	3,858,723
Year 4	3,858,723	3,858,723
Year 5	3,858,723	3,858,723
After year 5	86,668,154	88,597,536
	105,961,769	**107,847,092**

16. RELATED PARTY DISCLOSURES

Each of Jonathan Wilkinson and Philip Turpin, are current Directors of the Company, and are therefore considered as key management personnel of the Company but none of the aforementioned receives any remuneration from the Company. The Directors of the Company do not have any financial interest in the Company. Apex Group Fiduciary Services Limited ("AGFSL") and Apex Group Secretaries Limited ("AGSL") provide ongoing administration and secretarial services respectively to the Company at commercial rates. Each of AGFSL and AGSL is a subsidiary of Apex Group Limited which, together with all of Apex Group Limited's other subsidiaries and affiliates, is hereafter referred to as the "Apex Group". Each of Jonathan Wilkinson and Philip Turpin is an employee of AGFSL and should be regarded as interested in any transaction with any member of the Apex Group.

Richard Lang, a Director of the Company, is also a partner of Cheyne Capital Management (UK) LLP, the Investment Adviser to the Group and does not receive any remuneration from the Company.

Andrew Sergeant, a Director of the Company, is also an employee of Cheyne Capital Management (UK) LLP, the Investment Adviser to the Group and does not receive any remuneration from the Company.

Joseph Ruiz, a Director of the Company, is also an employee of Cheyne Capital Management (UK) LLP, the Investment Adviser to the Group and does not receive any remuneration from the Company.

Sandra Wittmann, a Director of the Company, is also a partner of Cheyne Capital Management (UK) LLP, the Investment Adviser to the Group and does not receive any remuneration from the Company.

Information on subsidiary undertakings is included on note 2.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

FOR THE PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

17. NON CONTROLLING INTEREST

	30-Jun-23	31-Dec-22
	£	£
Balance at the beginning of the period/year	**4,741,751**	**4,208,460**
Non controlling interest arising from contributions/adjustments	(251,817)	552,212
Share of comprehensive income/(loss) for the period/year	6,915	(18,921)
Balance at the period/year end	**4,496,849**	**4,741,751**

The non controlling interest in Dunmail represented 10% (31 December 2022: 10%) of Dunmail's ordinary shares in issue as at the period end.

18. EARNINGS PER SHARE

From continued and discontinued operations

Earnings	30-Jun-23	31-Dec-22
	£	£
Earnings for the purposes of basic earnings per share being net loss attributable to equity holders of the Group	(6,231,102)	(6,043,329)
Number of shares in issue	96,889.03	124,817.11
Basic and diluted earnings per share	**(64.31)**	**(48.42)**

19. ULTIMATE CONTROLLING PARTY

No single party has been identified as the ultimate controlling party and thus no details are disclosed.

20. DISPOSAL OF SUBSIDIARIES

There was no disposal of subsidiaries during the period ended 30 June 2023.

21. SEGMENT REPORTING

The Group operates as a single business segment, no segment reporting disclosures are included.

22. SUBSEQUENT EVENTS

Subsequent to the period end, on 25 August 2023, the Company paid a final dividend of £4,269,650 for the 2022 PID.

Subsequent to the period end on 08 September 2023, the Partnership's investors were notified of the intention to extend the life of the Fund beyond 30 September 2023, to allow for more time to realise the remaining positions and avoid forced sales at depressed valuations.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

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23. RECONCILIATION OF NAV UNDER IFRS TO NAV IN ACCORDANCE WITH THE INFORMATION MEMORANDUM

	30-Jun-23	31-Dec-22
	£	£
Net assets under IFRS	96,310,549	112,541,651
Consolidation adjustments:		
Adjustment for NCI interest on consolidation	4,496,849	4,741,751
Net assets in accordance with the Information Memorandum	**100,807,398**	**117,283,402**
NAV per share in accordance with the Information Memorandum	**1,040.442**	**1,107.281**

The NAV per the Information Memorandum had not consolidated the results of the Dunmail subsidiary and as a result had not recognised the NAV allocation to the non controlling interest, now adjusted.