Company No: 68843

SOF-12 MASTER REITCO LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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COMPANY INFORMATION

DIRECTORS

Thomas Tolley
Sandra Platts
Nicholas Chadwick
Hubert Nicolle (appointed as alternate Director to Sandra Platts on 8 April 2022)

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ADMINISTRATOR AND SECRETARY

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INVESTMENT ADVISER

Starwood Capital Europe Advisers, LLP
1 Berkeley Street
London
W1J 8DJ

INDEPENDENT AUDITOR

PricewaterhouseCoopers CI LLP
37 Esplanade
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JE1 4XA

COMPANY NUMBER

68843

INCORPORATION DATE

22 February 2021

STRATEGIC AND BUSINESS REVIEW

Strategic Report

The Strategic Report describes the business of SOF-12 Master REITCO Limited (the "Company") as well as detailing the uncertainties, principal and emerging risks associated with its activities.

Summary of the company's activities

The Company is a closed ended investment vehicle which was established for the purpose of indirectly acquiring and holding a property portfolio through intermediate Special Purpose Vehicles ("SPVs"). The Company is also registered as a UK Real Estate Investment Trust ("REIT") in conjunction with the Admission to The International Stock Exchange, Guernsey ("TISE"). The Company's intention is, broadly, to indirectly hold the property portfolio for investment purposes to realise on-going rental income and long-term capital appreciation. The Company may add to its portfolio assets or dispose of its portfolio assets in accordance with its investment policy as the board of Directors may determine from time to time.

As part of its investment policy and business strategy, the Company and its subsidiaries may enter into transactions set out in Schedule 5 of the Listing Rules. The Company may also enter into transactions with a related party (including Directors of the Company or sister entities in the Company, any substantial or controlling shareholder or any affiliates of any such parties) which exceed 5% applying any of the tests set out in Schedule 5 of the Listing Rules.

Current and future development

As at 31 December 2023, the Company's investment portfolio comprised two key underlying assets, namely Brightbay Real Estate Partners Limited ("Brightbay"), formerly RDI REIT P.L.C. and Ealing Studios Operations Limited ("ESOL").

The Brightbay acquisition was on 4 May 2021, when the Company acquired 70.5 percent of the issued share capital of Brightbay. The Company owns 100 percent of SOF-12 Cambridge HoldCo Limited which in turn holds a 100 percent stake in SOF-12 Cambridge BidCo Limited, which in turn holds a 100 percent stake in the series of eight SOF-12 Cambridge Investco entities, which hold a combined 70.5 percent stake in Brightbay. The purchase of Brightbay was at a 15.0 percent discount to the 28 February 2021 European Public Real Estate Association (EPRA) NAV of 142.7 pence per share. Brightbay was incorporated in the Isle of Man on 28 June 2004 (Registered Number: 1111908C) and was re-registered under the Isle of Man Companies Act 2006 on 3 December 2013 (Registered Number: 010534V). On 4 December 2013, Brightbay converted to a UK REIT and transferred its tax residence from the Isle of Man to the United Kingdom ("UK"). Brightbay held a primary listing on the London Stock Exchange ("LSE") and a secondary listing on the Johannesburg Stock Exchange ("JSE") until 6 May 2021 and 7 May 2021 respectively. Following the conclusion of the take-private transaction (the "Transaction") on 4 May 2021, Brightbay applied for listing on TISE, which was approved and became effective on 5 May 2021.

ESG remains central to Brightbay's strategy and capital allocation decisions. Brightbay is actively targeting improvements across the portfolio based on data collection, external evaluation and accreditation.

The Brightbay portfolio is well positioned in core industrial markets and mid-scale and economy hotels focused on the London and Edinburgh markets.

STRATEGIC AND BUSINESS REVIEW (CONTINUED)

Current and future development (continued)

The ESOL acquisition by Grace BidCo Limited was completed on 15 September 2021. The Company owns 100 percent of Grace HoldCo Limited which in turn holds a 94.8 percent stake in Grace BidCo Limited, which in turn holds a 100 percent stake in ESOL. Ealing Studios was established in 1902 and is the oldest movie studio in the world. The 118,000 square foot facility comprises 64,000 square feet of production space including five sound stages totalling 26,000 square feet, a number of recording studios, workshops and other production support facilities plus 54,000 square feet of leased office space. There has been considerable investment during the current financial year in the ongoing redevelopment of Ealing Studios.

Performance

The performance of the underlying Brightbay investment portfolio was defined by a strong market in the first half of the year which then gave way to significant political and macro-economic uncertainty. A sharp increase in the interest rate environment and a tightening of capital markets led to a rapid increase in property yields. Almost all sectors were impacted with the industrial market experiencing a particularly sharp fall in values given the prevailing low yields in the sector.

Fortunately, occupational markets across Brightbay's key sectors of industrial and hotels remained extremely robust, with hotels in particular seeing headline revenues exceed 2019 levels. A number of well-timed disposals totalling GBP 56.4 million were completed by Brightbay during the year in line with their strategy of focusing on core assets. The successful disposal of the London Serviced Office portfolio in July was the most significant transaction during the year and benefited from a strong recovery in occupancy and the move to more flexible working practises.

The performance of the underlying ESOL investment since acquisition remains steady with demand for production space remaining high. The Directors have considered the impact of this facility coming to an end within 12 months from the date of this report and are confident that ongoing funding will be accessible.

Risk management

It is the role of the Board to review and manage all risks associated with the Company, both those impacting the performance and the prospects of the Company and those which threaten the ongoing viability. It is the role of the Board to mitigate these either directly or through the delegation of certain responsibilities to the Investment Advisor or the Fund Administrators.

The Board considers the following principal risks could impact the performance and prospects of the Company but do not threaten the ability of the Company to continue in operation and meet its liabilities. In deciding which risks are principal risks the Board considers the potential impact and probability of the related events or circumstances, and the timescale over which they may occur. Consequently, it has put in place mitigation plans to manage those identified risks. Details of the principal and emerging risks are highlighted below.

Principal Risks and uncertainties

Long-Term Strategic Risk (risk that the business model is no longer attractive)

The Board, along with the Investment Advisors, monitor, review and consider the estimates and assumptions that underpin the targeted return of the business and, where necessary, refocus the Company’s strategy to respond to changes in the market.

The Investment Advisors provide the Board with regular reports detailing the performance of existing investments, including the performance of underlying assets versus the business plan.

STRATEGIC AND BUSINESS REVIEW (CONTINUED)

Market Deterioration Risk (risk of the economies in which the Company operates either stagnate or go into recession)

While there continue to be several macro-economic risks and uncertainties impacting the Brightbay portfolio, 2023 has started on a more stable footing. Inflation remains high, but the rate of growth has started to ease. Lower energy costs in particular are starting to feed through to lower inflation readings and interest rates and credit conditions look to have stabilised. There is emerging evidence of investor confidence returning to the real estate market. The sharp rise in real estate yields experienced in the last quarter of 2022 appears to have peaked with some early evidence of yields firming across sectors benefitting from strong occupational demand and structural support.

The ongoing political uncertainty in Eastern Europe and the Middle East continues to cause disruption to the worldwide economy and to affect businesses across all industries. While the Company has no direct or known indirect involvement with the countries it may be impacted by the consequences of the instability caused by the Eastern Europe and the Middle East conflict.

The Board has considered the impact of market deterioration on the current and future operations of the Company and its portfolio of investments. Due to loan facilities available to the Company and the underlying quality of the investments, both the Investment Advisor and the Board still believe the fundamentals of the portfolio remain optimistic and that the Company can adequately support the portfolio.

Environmental, Social and Human Rights Issues

The Company itself has no employees as all its executive functions are undertaken by the Investment Advisors and other service providers. There are therefore no disclosures to be made in respect of employees.

The Investment Advisers pay particular attention, whenever possible, to the Directors' willingness to respect international law on human rights, and to apply Environmental, Social, and Governance (ESG) criteria to their investment practices. The Investment Advisers acknowledge that social and environmental issues are material to the sustainable growth and financial outlook of a company and therefore to the value of investments.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources directly.

Regulatory risk

The Company is also subject to regulatory risk as a result of any changes in regulations or legislation. Constant monitoring by the Investment Advisor, Administrator and the Board is in place to ensure the Company keeps up to date with any regulatory changes and complies with them.

Operational risk

The Company has no employees and is reliant on the performance of third-party service providers. Failure by the Investment Adviser, Administrator or any other third-party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company.

The Board ensures the Company maintains close contact with all service providers to ensure that the operational risks are minimised. There are service level agreements in place which the third-party service providers are contracted to comply with.

In addition, service providers are subject SOC 1 audits to ensure operational risk management processes are working effectively and risks are mitigated.

STRATEGIC AND BUSINESS REVIEW (CONTINUED)

Interest rate risk

The Company invests primarily in SPVs with underlying real estate investment properties that are non interest bearing investments, mainly subject to other price risk. Interest receivable on bank deposits will be affected by fluctuations in interest rates. Changes to prevailing interest rates or changes in expectations of future rates may result in an increase or decrease in the value of the investments held.

The majority of the Company's financial assets and liabilities are related to interest bearing loans. As a result, the Company is subject to some risk due to fluctuations in the prevailing levels of market interest rates. The loans receivable are all inter company loans provided to the special purpose vehicles for funding the investments and are on fixed interest. Hence the interest rate risk impacts the loans repayable whose interest is based on SOFR.

Price risk

The Board has considered the impact of other price risk on the Company, its portfolio of investments and their fair values. Due to loan facilities available to the Company, the underlying quality of the investments and close monitoring of foreign exchange rate movements, the Investment Advisor and the Board believe the Company can fully mitigate other price risks.

Credit risk

The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The primary exposure to credit risk is on the borrowings provided by the company. The Company takes on exposure to credit risk in the form of a counterparty being unable to fulfil their obligation as and when it falls due. Based on the performance of the underlying investment properties funded by the borrowings the Directors consider credit risk to be minimal.

Liquidity risk

Also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with its investments and to generally be in a position to meet liabilities as and when they fall due for payment. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value in order to satisfy current funding obligations.

The financial liabilities of the Company comprise accrued expenses and borrowings. The Company will generally retain sufficient cash and cash equivalent balances to satisfy accrued expenses and creditors as they fall due. The Company also receives distributions from the underlying investments quarterly which allows all accruals and creditors to be serviced adequately.

Cyber security risk

The Directors monitor cyber security risks that can potentially result in financial or data loss. Service providers are assessed and required to have Systems and Organisational Controls (SOC) 1 audits annually to ensure that adequate internal controls are in place. During the year there were no cyber security breaches reported.

STRATEGIC AND BUSINESS REVIEW (CONTINUED)

Going concern assessment

In light of macro-economic uncertainty that currently prevails, the Board continues to place particular focus on the appropriateness of adopting the going concern basis in preparing the Company's financial statements for the year ended 31 December 2023.

The Directors have considered the Company's principal risks and plausible downside scenarios in assessing the Company's going concern assumption and its underlying investments' operation and performance for a period of not less than 12 months from the date of approval of these financial statements. The Directors have considered:

- Increased voids on commercial properties;
- The continued recovery of the performance of Brightbay's RBH managed hotels;
- Increased costs of debt on refinanced loan facilities;
- Cash cure requirements as a result of earnings declines and increased interest costs; and
- The possible impact on the Company of the price disruption in the energy markets.

In addition the Directors have considered potential mitigants to the downside scenarios which include, but are not limited to, utilizing existing liquidity reserves and support from the ultimate controlling shareholders. The ongoing political uncertainty in Eastern Europe and the Middle East continues to cause disruption to the worldwide economy and to affect businesses across all industries. Increased energy costs, associated high inflation and fluctuating foreign exchange rates have become key risks for many sectors. While noting that the ultimate effects may be difficult to quantify, the Directors do not underestimate the current situation and have engaged in an ongoing risk assessment analysis, scenario planning and liquidity forecasting process to understand the impact these factors may have on the Company and its underlying assets. To date, there have been no financial consequences resulting from economic disruption and the Company is considered to not currently be exposed to risks associated with high inflation and energy costs, or foreign currency fluctuations. The Directors will continue to monitor the situation.

At 31 December 2023, GBP 37.5 million of Brightbay's external borrowing were repayable within 12 months, maturing in December 2024. Brightbay has an extension option, which it expects to take, however at the date of issue of the financial statements the extension of this facility was not yet finalised. Additionally, Brightbay has operated within 25% of its LTV loan covenant on one of its facilities during the year ended 31 December 2023. In addition, in a plausible downside scenario, Brightbay has forecasted a potential breach of interest cover covenant ratios during the going concern period that would require a cash cure and would be remediated by forecasted operational cash flows. This currently has no impact on the Company at this stage and may only impact it if support is sought from Brightbay. Additional information on how liquidity risk is managed is disclosed in Note 13.

The Directors are confident that the required financing can be achieved, however, in the unlikely event that this is not achieved, Brightbay may be required to draw upon financial support from its ultimate shareholders who are in turn able to draw on committed lines of credit which are available to them.

STRATEGIC AND BUSINESS REVIEW (CONTINUED)

Going concern assessment (continued)

The Company's current intention is to continue to provide financial support in proportion to its respective equity interests only (where required) in Brightbay to at least 12 months from the date the financial statements are authorised to enable it to meet its financial liabilities as they fall due so long as that equity interest remains ultimately controlled by the Company. Furthermore, the Directors confirm that the Company has the benefit of access to committed capital sufficient to provide the contingent support and expect this to remain in place and available during the period up to 12 months from the date the financial statements are authorised.

As at 31 December 2023, the Company was in a net current asset position of GBP 470,857 (2022: GBP 5,723,615) and a net asset position of GBP 213,480,705 (2022: GBP 213,480,705). SOF-12 HedgeCo 2 Limited will not call its loan with the Company until the Company recovers all of its loan receivables from its related undertakings (SOF 12 HedgeCo 1 Limited and SOF-12 Cambridge BidCo Limited). Therefore, having made enquiries and considered all events which have and which may occur post the balance sheet date, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. In addition, having reassessed the Company's principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company's financial statements.

The directors will continue to monitor the situation. The Directors have analysed the Company's ability to continue as a going concern and have not identified a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Therefore, they have prepared the financial statements of the Company for the year ended 31 December 2023 on a going concern basis.

REPORT OF THE DIRECTORS

The Directors present their report and Annual Report and Audited Financial Statements (the "Financial statements") for the year ended 31 December 2023 in respect of SOF-12 Master REITCO Limited (the "Company").

Incorporation

The Company was registered on 22 February 2021 as a Limited Company Guernsey, Channel Islands, with registration number 68843 and commenced business upon admission to The International Stock Exchange ("TISE") on 28 April 2021.

Regulation and listing

As at 31 December 2023, 196,278,630 (2022: 45,985,580) ordinary shares of GBP 1.00 each were admitted to the official list of TISE.

Principal activities

The Company was established for the purpose of indirectly acquiring and holding the property assets through intermediate holding vehicles for investment purposes to realise on-going distributions and long-term capital appreciation. The Company may add to or dispose of its portfolio assets in accordance with its investment policy as it may determine from time to time. The Company can negotiate to acquire additional assets that will form part of the seed assets.

The results of the Company for the year are set out in detail on page 17.

Dividends and Distributions

Total distributions of GBP 17,400,000 (GBP 0.1036 dividend per share) (2022: GBP 14,929,679 (GBP 0.410 dividend per share)) were made to ordinary shareholders during the year.

Political donations

During the financial year, the Company made no political donations (2022: nil).

Going Concern

The financial statements of the Company have been prepared on a going concern basis. See details in the Strategic and business review.

Secretary

The Secretary of the Company in office during the year, and subsequently, was Apex Fund and Corporate Services (Guernsey) Limited.

Independent auditor

The auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, as far as they are each aware, there is no relevant audit information which the Company's auditor has not been made aware of; and each Director has taken all of the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor has been made aware of that information.

REPORT OF THE DIRECTORS (CONTINUED)

Investment Advisor

Starwood Capital Europe Advisers LLP has served as Investment Advisor of the Company since inception.

Directors

The Directors of the Company who held office during the year and to the date of this report are listed on page 2.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008, as amended (the "Law") requires the Directors to prepare financial statements for each financial year. Under that Law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102").

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm they have complied with all the above requirements in preparing the financial statements.

By order of the Board

Nicholas Chadwick

Director
Date: 27 June 2024

Independent auditor's report to the members of SOF-12 Master REITCo Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of SOF-12 Master REITCo Limited (the "company") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

Audit scope

- The company is a closed-ended investment company, incorporated in Guernsey, whose shares are listed on The International Stock Exchange.
- We conducted our audit of the financial statements based on information provided by the administrator and secretary, Apex Fund and Corporate Services (Guernsey) Limited, to whom the directors delegated the provision of certain administrative and accounting functions.

Independent auditor's report to the members of SOF-12 Master REITCo Limited (continued)

- For each Special Purpose Vehicle ("SPV"), we inspected the composition of the Net Asset Value ("NAV") and assessed if the valuation was determined by a reasonable valuation approach in accordance with a market supported valuation standard.
- We have carried out our audit work in Jersey. We tailored the scope of our audit, and structured our audit team to incorporate support from our PwC valuation expert, taking into account the nature and industry sector of the underlying assets held within the investment portfolio; the involvement of third parties referred to above and the accounting processes and controls.

Key audit matters

- Valuation of investments at fair value through profit or loss

Materiality

- Overall materiality: GBP 6,616,400 (2022: GBP 6,700,000) based on 1% of Total Assets.
- Performance materiality: GBP 4,962,300 (2022: GBP 5,000,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of investments at fair value through profit or loss Refer to the Statement of Financial Position, Note 2 Summary of significant accounting policies and Note 6 Investments at fair value through profit or loss. Investments at fair value through profit or loss (the "investments") is the largest contributor to the total assets of the company. The investments comprise of the investments held in underlying Special Purpose Vehicles ("SPVs") and their net asset values represent the respective fair values.	Our audit procedures were as follows: We assessed the investment valuation accounting policy for compliance with the accounting framework and best practice, and we agreed that the investment valuations are measured in accordance with the stated policy. The company holds shares and loans in SPVs that own various investment properties.

Independent auditor's report to the members of SOF-12 Master REITCo Limited (continued)

The valuation of the investments held in the underlying SPVs involves significant estimates to be made by the directors. A material misstatement, due to error, in the valuation of the investments would be material to the financial statements as a whole. As a result, we considered the valuation of the investments at fair value through profit or loss to be a significant risk for our audit and accordingly, a key audit matter.	We agreed ownership rights, percentage ownership, key terms and conditions to duly signed agreements through each SPV and to certified share registers confirming ownership. For each SPV, we agreed the Net Asset Value ("NAV") to audited financial statements (where available) or unaudited trial balances. For each SPV, we inspected the composition of the NAV and, where we noted that underlying investment properties were the key drivers, we confirmed that the fair values of those investment properties were audited and engaged with our PwC valuation expert in assessing if the valuation was determined by a reasonable valuation approach in accordance with a market supported valuation standard. Based on the above procedures, we have no matters that require communication to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall materiality	£6,616,400 (2022: £6,700,000)
How we determined it	1% of Total Assets
Rationale for the materiality benchmark	We believe that total assets is a primary measure used by the shareholders in assessing the performance of the company. It is also a generally accepted measure used for companies in this industry.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75% of overall materiality, amounting to £4,962,300 (2022: £5,000,000) for the company's financial statements.

Independent auditor’s report to the members of SOF-12 Master REITCo Limited (continued)

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £330,800 (2022: £335,000), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report and Audited Financial Statements (the “Annual Report”) but does not include the financial statements and our auditor’s report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards, comprising FRS 102, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Independent auditor’s report to the members of SOF-12 Master REITCo Limited (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This independent auditor’s report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditor's report to the members of SOF-12 Master REITCo Limited (continued)

Report on other legal and regulatory requirements

Company Law exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Lelani Wright
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
28 June 2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023	31 December 2022
		GBP	GBP
Income			
Changes in fair value through profit and loss	6	15,822,507	(42,169,156)
Interest income	8	25,751,988	17,187,084
Net foreign exchange gain	10	874,190	-
Total income/(loss)		**42,448,685**	**(24,982,072)**
Expenses			
Administration expenses		(152,585)	(179,350)
Audit fees	12	(48,290)	(43,930)
Directors fees		(10,000)	(9,979)
Listing fees		(18,750)	(13,500)
Professional fees		(8,500)	(57,456)
Tax compliance fees		(54,600)	-
Net foreign exchange losses	10	-	(14,436,296)
Bank charges		(532)	(2,968)
Total expenses		**(293,257)**	**(14,743,479)**
Profit/(loss) before interest expense for the year		42,155,428	(39,725,551)
Loan interest expenses	9	(33,808,277)	(22,335,705)
Profit/(loss) after interest expense for the year		8,347,151	(62,061,256)
Taxation on profit/(loss) for the year	14	(2,169)	-
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**8,344,982**	**(62,061,256)**

All items dealt with in arriving at the total comprehensive income for the year relate to continuing operations.

The notes on pages 22 to 36 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31 December 2023	31 December 2022
		GBP	GBP
Non-current assets			
Investments at fair value through profit or loss	6	655,318,007	661,662,996
		655,318,007	**661,662,996**
Current assets			
Cash and cash equivalents	5	3,411,649	5,018,582
Interest receivable	8	811,854	3,691,208
Receivable from affiliates	15	2,101,806	1,004,646
Total assets		**661,643,316**	**671,377,432**
Non-current liabilities			
Loans payable	11	(442,308,159)	(595,143,938)
		(442,308,159)	**(595,143,938)**
Current liabilities			
Interest payable	9	(2,744,018)	(3,897,115)
Payable to affiliates	15	(4)	(5)
Withholding tax payable		(3,019,200)	-
Other payables	3	(91,230)	(93,701)
Total liabilities		**(448,162,611)**	**(599,134,759)**
NET ASSETS		**213,480,705**	**72,242,673**
EQUITY			
Share capital	7	196,278,630	45,985,580
Retained earnings		17,202,075	26,257,093
TOTAL EQUITY		**213,480,705**	**72,242,673**

The financial statements on pages 17 to 36 were approved and authorised for issue by the board of Directors on 27 June 2024 and were signed on their behalf by:

Director: Nicholas Chadwick

Director:

Date: 27 June 2024

Date: 27 June 2024

The notes on pages 22 to 36 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Retained Earnings	Total
	GBP	**GBP**	**GBP**
Balance as at 1 January 2023	45,985,580	26,257,093	**72,242,673**
Shares issued during the year	150,293,050	-	**150,293,050**
Dividend	-	(17,400,000)	**(17,400,000)**
Total comprehensive income for the year	-	8,344,982	**8,344,982**
Balance as at 31 December 2023	**196,278,630**	**17,202,075**	**213,480,705**
Balance as at 1 January 2022	4,142,414	103,248,028	**107,390,442**
Shares issued during the year	41,843,166	-	**41,843,166**
Dividend	-	(14,929,679)	**(14,929,679)**
Total comprehensive loss for the year	-	(62,061,256)	**(62,061,256)**
Balance as at 31 December 2022	**45,985,580**	**26,257,093**	**72,242,673**

The notes on pages 22 to 36 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023	31 December 2022
		GBP	GBP
Cash flows from operating activities			
Profit/(loss) on ordinary activities before taxation		8,344,982	(62,061,256)
Adjustment for:			
Changes in fair value of investments	6	(15,822,507)	42,169,156
Net foreign exchange (gains)/losses		(874,190)	16,167,744
Interest expense		33,808,277	22,335,705
Interest income		(25,751,988)	-
(Increase)/decrease in receivable from affiliates		(1,097,160)	1,923,189
Increase in withholding tax payable		3,019,200	-
Decrease in payable to affiliates		(1)	(550,721)
Decrease in other payables		(2,473)	(45,457)
Net cash generated from operating activities		**1,624,140**	**19,938,360**
Cash flows from investing activities			
Acquisition of investments		(4,095,730)	38,862,713
Disposal of investments		24,620,535	(5)
Interest received		2,399,805	4,404,276
Net cash flow generated from investing activities		**22,924,610**	**43,266,984**
Cash flows from financing activities			
Shares issued		138,293,050	32,243,166
Dividend paid		(5,400,000)	(5,329,679)
Interest paid		(9,279,412)	(24,614,479)
Drawdown of loan payable		7,206,529	57,651,573
Repayment of loan payable		(157,682,017)	(121,720,079)
Net cash flow used in financing activities		**(26,861,850)**	**(61,769,498)**
Net (decrease)/increase in cash and cash equivalents		**(2,313,100)**	**1,435,846**
Net foreign exchange gain/(loss) on cash and cash equivalent		706,167	(124,827)
Cash and cash equivalents at the beginning of the year		**5,018,582**	**3,707,563**
Cash and cash equivalents at the end of the year		**3,411,649**	**5,018,582**

STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

Analysis of changes in net debt

	At 1 January 2023	Non cash adjustments	Cash flows	At 31 December 2023
Cash and cash equivalents				
Cash	5,018,582	706,167	(2,313,100)	3,411,649
	5,018,582	706,167	(2,313,100)	3,411,649
Borrowings				
Debt due after one year	595,143,938	(2,360,291)	(150,475,488)	442,308,159
	595,143,938	(2,360,291)	(150,475,488)	442,308,159
Total	**600,162,520**	**(1,654,124)**	**(152,788,588)**	**445,719,808**

	At 1 January 2022	Non cash adjustments	Cash flows	At 31 December 2022
Cash and cash equivalents				
Cash	3,707,563	-	1,311,019	5,018,582
	3,707,563	-	1,311,019	5,018,582
Borrowings				
Debt due after one year	659,212,444	-	(64,068,506)	595,143,938
	659,212,444	-	(64,068,506)	595,143,938
Total	**662,920,007**	**-**	**(62,757,487)**	**600,162,520**

The notes on pages 22 to 36 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. General Information

The Company is a limited liability company incorporated in Guernsey, Channel Islands. The registration number of the Company is, 68843 incorporated on 22 February 2021.

The address of its registered office is 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey Channel Islands GY1 2HL. The Company's principal activity is broadly, to indirectly hold the property portfolio for investment purposes to realise on-going rental income and long-term capital appreciation as explained in the strategic and business review.

The Company financial year runs from 1 January until 31 December each year.

Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies (Guernsey) Law, 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

■ Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The significant accounting policies are set out below:

■ Going concern

In light of macro-economic uncertainty that currently prevails, the Board continues to place particular focus on the appropriateness of adopting the going concern basis in preparing the Company's financial statements for the year ended 31 December 2023.

The Directors have considered the Company's principal risks and plausible downside scenarios in assessing the Company's going concern assumption and its underlying investments' operation and performance for a period of not less than 12 months from the date of approval of these financial statements. The Directors have considered:

- Increased voids on commercial properties;
- The continued recovery of the performance of Brightbay's RBH managed hotels;
- Increased costs of debt on refinanced loan facilities;
- Cash cure requirements as a result of earnings declines and increased interest costs; and
- The possible impact on the Company of the price disruption in the energy markets.

2. Summary of significant accounting policies (continued)

■ Going concern (continued)

In addition the Directors have considered potential mitigants to the downside scenarios which include, but are not limited to, utilizing existing liquidity reserves and support from the ultimate controlling shareholders. The ongoing political uncertainty in Eastern Europe and the Middle East continues to cause disruption to the worldwide economy and to affect businesses across all industries. Increased energy costs, associated high inflation and fluctuating foreign exchange rates have become key risks for many sectors. While noting that the ultimate effects may be difficult to quantify, the Directors do not underestimate the current situation and have engaged in an ongoing risk assessment analysis, scenario planning and liquidity forecasting process to understand the impact these factors may have on the Company and its underlying assets. To date, there have been no financial consequences resulting from economic disruption and the Company is considered to not currently be exposed to risks associated with high inflation and energy costs, or foreign currency fluctuations.

At 31 December 2023, GBP 37.5 million of Brightbay's external borrowing were repayable within 12 months, maturing in December 2024. Brightbay has an extension option, which it expects to take, however at the date of issue of the financial statements the extension of this facility was not yet finalised. Additionally, Brightbay has operated within 25% of its LTV loan covenant on one of its facilities during the year ended 31 December 2023. In addition, in a plausible downside scenario, Brightbay has forecasted a potential breach of interest cover covenant ratios during the going concern period that would require a cash cure and would be remediated by forecasted operational cash flows.

The Company’s current intention is to continue to provide financial support in proportion to its respective equity interests only (where required) in Brightbay to at least 12 months from the date the financial statements are authorised to enable it to meet its financial liabilities as they fall due so long as that equity interest remains ultimately controlled by the Company. Furthermore, the Directors confirm that the Company has the benefit of access to committed capital sufficient to provide the contingent support and expect this to remain in place and available during the period up to 12 months from the date the financial statements are authorised.

As at 31 December 2023, the Company was in a net current asset position of GBP 470,857 (2022: GBP 5,723,615) and a net asset position of GBP 213,480,705 (2022: GBP 72,242,673). SOF-12 HedgeCo 2 Limited will not call its loan with the Company until the Company recovers all of its loan receivables from its related undertakings (SOF 12 HedgeCo 1 Limited and SOF-12 Cambridge BidCo Limited). Therefore, having made enquiries and considered all events which have and which may occur post the balance sheet date, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of approval of the financial statements. In addition, having reassessed the Company’s principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company’s financial statements.

The directors will continue to monitor the situation. The Directors have analysed the Company’s ability to continue as a going concern and have not identified a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Therefore, they have prepared the financial statements of the Company for the year ended 31 December 2023 on a going concern basis.

■ Use of estimates, judgements and assumptions

The preparation of the financial statements in conformity with FRS 102 requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the year. Although these estimates are based on the Directors’ best knowledge of the amount, events or actions the actual results may differ materially from those estimates.

The principal areas where such judgements and estimates have been made are detailed below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Summary of significant accounting policies (continued)

i) Judgements

Classification of Investments in Brightbay Real Estate Partners Limited (Brightbay) and Ealing Studios Operations Limited (ESOL):

The Company, through various special purpose vehicles (SPVs,) made acquisitions of shares in the above mentioned two entities during 2021. The Company is not involved with the operations of the businesses including key decision making other than being the major shareholder. The Company is an investment entity and is not carrying out its investment business within Brightbay and ESOL. The Company collectively holds Brightbay and ESOL as a basket of investments or an investment portfolio. Brightbay and ESOL investments are held exclusively with a view to subsequent resale' as part of an investment portfolio and will be measured at fair value, with changes in fair value recorded through profit and loss (FVTPL).

ii) Estimates

Investments at FVTPL valuation:

This balance is coming from the roll up of the net asset value (NAV) of the underlying entities as a basis of valuing the investment. The Directors concluded that the valuation basis which best approximates fair value of the investments is the allocation of NAV based on percentage ownership given that the investments are not traded in an active market. Future events can also affect the estimated fair value. The main driver of the NAV are the underlying real estate assets. Below is a description of the estimates involved in valuing those assets:

Brightbay investment property valuation - Brightbay uses valuations determined by independent valuers in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") as the fair value of its investment property. The valuations are based upon assumptions including estimated rental values, future rental income, anticipated maintenance costs, future development costs and appropriate market yields. The valuers make reference to market evidence of transaction prices for similar properties.

ESOL investment property valuation - as at 31 December 2023 the investment in ESOL was carried at fair value. The Company's investment property was valued by the Directors using a discounted cash flow model based on their experience in the property market and having regard to many factors including the individual nature of the property, its location and expected future net rental values, market yields and comparable market transactions.

■ Foreign currency

i) Functional and presentation currency

The Company's functional and presentational currency is the GBP.

2. Summary of significant accounting policies (continued)

ii) Transactions and balances

Foreign currency amounts are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net foreign exchange losses in the statement of comprehensive income.

■ Interest income

Interest income is recognised in the statement of comprehensive income when it is earned. Interest income is accrued on intercompany loans or bank balances.

■ Interest expense

Interest expenses are accounted for on an accruals basis in the statement of comprehensive income.

■ Financial assets

Basic financial assets, including cash and cash equivalents, interest receivable, receivable from affiliates and investments at fair value through profit or loss (FVTPL), are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset’s original effective interest rate. The impairment loss is recognised in the statement of comprehensive income. For investments at FVTPL the valuation is based on the net asset value of the entities invested in which has been determined to approximate the fair value of the investment.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Summary of significant accounting policies (continued)

■ Financial liabilities

Basic financial liabilities, including other payables, interest payable, payable to affiliates, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

■ Taxation

The Company is a Guernsey incorporated entity and is registered for UK tax purposes and therefore, it is subject to UK income tax at a rate of 25%. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the financial statement date.

The Company is part of a REIT structure and this means that it is required to meet several criteria. This entitles the Company to certain tax exemptions as a result.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

■ Key management personnel and related parties

The Company considers parties 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. The Company has no ultimate controlling party.

The financial or operations decisions are made by the board of Directors of the Company as set out on page 2 and the board of Directors are the only key management personnel of the Company.

■ Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Summary of significant accounting policies (continued)

■ Dividends

The Directors may from time to time authorise Dividends and Distributions to be paid to the Members in accordance with the procedure set out in the Law and subject to any Member's rights attaching to their shares. The declaration by the Directors as to the amount of the Dividend or Distribution available shall be final and conclusive.

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Directors. These amounts are recognised in the statement of changes in equity.

■ Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

■ Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

3. Other payables

	31 December 2023	31 December 2022
	GBP	**GBP**
Administration fees payable	38,271	35,000
Audit fee payable	48,290	43,900
Directors fees payable	2,500	2,500
Consultancy fees payable	-	12,301
Taxation payable	2,169	-
	91,230	**93,701**

4. Material agreements

Under the Secretarial and Administration Agreement dated 11 February 2021, Apex Fund and Corporate Services (Guernsey) Limited provides secretarial and administration services to the Company and is entitled to receive administration fees and reimbursement of expenses as may be determined from time to time by the parties.

For the year ended 31 December 2023, the Company incurred administration fee expenses of GBP 152,585 (2022: GBP 179,350), of which GBP 38,270 (2022: GBP 35,000) was payable to the administrator as at 31 December 2023.

The Directors appointed Starwood Capital Europe Advisers, LLP as the Investment Adviser.

5. Cash and cash equivalent

	31 December 2023	31 December 2022
	GBP	**GBP**
Cash at bank - GBP	3,315,218	3,894,137
Cash at bank - USD	96,431	1,124,445
	3,411,649	**5,018,582**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

6. Investments at fair value through profit or loss

	31 December 2023	31 December 2022
	Total Investment	*Total Investment*
	GBP	**GBP**
Fair value at beginning of the year	661,662,996	758,737,777
Additions during the year	255,910,830	162,067,845
Disposals of investment	(278,078,326)	(216,973,470)
Changes in fair value of investment	15,822,507	(42,169,156)
Fair value as at 31 December	**655,318,007**	**661,662,996**

The Company currently holds the investments through the following structured vehicles: Grace Holdco Limited, SOF-12 HedgeCo 1 Limited, SOF-12 HedgeCo 2 Limited, SOF-12 Cambridge BidCo Limited, SOF-12 Cambridge Holdco Limited and SOF-12 SeedCo Limited. The funding of the investments was through intercompany loans granted to the various SPVs who ultimately acquired the underling investments where return will be coming from for the Company.

The table below present the fair value recognised using valuation techniques (based on assumptions that are not supported by prices or other inputs from observable current market transactions) as noted in Note 2. The unobservable inputs which significantly impact the fair value have been noted to be the valuation of the properties held by the underlying entities invested in. As such the NAV picked up will be impacted by any changes in the valuation of those properties. As such a sensitivity assessment has been made on the impact on the NAV as shown below:

As at 31 December 2023

Investments	**Fair Value at year end**	**Unobservable inputs**	**Reasonable possible shift +/- ***	**Change in valuation**
Investments	655,318,007	Net Asset Value (NAV)	5%	32,765,900

As at 31 December 2022

Investments	**Fair Value at year end**	**Unobservable inputs**	**Reasonable possible shift +/- ***	**Change in valuation**
Investments	661,662,996	Net Asset Value (NAV)	5%	33,083,150

* Based on an analysis of valuation movements quarter on quarter over the year, the Directors believe that a 5% variation in unobservable inputs represents the most reasonable possible shift in valuation at year end.

6. Investments at fair value through profit or loss (continued)

Fair Value Measurement

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table summarises within the fair value hierarchy the Company's assets and liabilities measured at fair value at 31 December 2023.

31 December 2023	**Level 1 GBP**	**Level 2 GBP**	**Level 3 GBP**	**Total GBP**
Investments	-	-	**655,318,007**	**655,318,007**

31 December 2022	**Level 1 GBP**	**Level 2 GBP**	**Level 3 GBP**	**Total GBP**
Investments	-	-	**661,662,996**	**661,662,996**

The fair value hierarchy has the following levels:

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 or indirectly.

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 fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

7. Share Capital

AUTHORISED:

The Company's share capital is unlimited.

	31 December 2023	**31 December 2022**
	GBP	**GBP**
ISSUED:		
Shares issued at beginning of the year	45,985,580	4,142,414
Shares issued during the year	150,293,050	41,843,166
Shares issued at end of the year	**196,278,630**	**45,985,580**

As at 31 December 2023, 196,278,630 (2022: 45,985,580) ordinary shares of GBP 1.00 each were issued.

The shares above have no right to fixed income.

The Company's immediate controlling party is SOF-12 Master AIV LP which holds 100% of the share capital issued. However above the company there are a number of investors through the limited partnerships none of whom own more than 20% in the structure. Accordingly there is no parent entity nor ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

8. Interest Income

Interest income relates to interest received on loans issued by the Company to the structured vehicles. During the year ended 31 December 2023, a total of GBP 25,751,988 (2022: GBP 17,187,084) was recognised as income while GBP 811,854 (2022: GBP 3,691,208) is receivable as at the end of the year. The details of intercompany loans are disclosed in Note 15.

9. Loan interest expense

Interest expense is in relation to the interest-bearing intercompany loan and the Wells Fargo loan obtained by the Company in 2021. The total amount of loan interest expense incurred during the year amounts to GBP 33,808,277 (2022: GBP 22,335,705) of which GBP 2,744,018 (2022: GBP 3,897,115) was outstanding as at the end of the year. The details of interest rate and maturity date of loans payable disclosed in Note 11.

10. Net foreign exchange gain/(loss)

	31 December 2023	31 December 2022
	GBP	**GBP**
Unrealised gain/(loss):		
Loans - unrealised gain/(loss)	257,399	(16,042,917)
Other unrealised gain	706,203	-
Unrealised loss:	**963,602**	**(16,042,917)**
Loans - realised (loss)/gain on repayments	-	356,439
Other realised (loss)/gain	(89,412)	1,250,182
Net Foreign Exchange Gain/(Loss)	**874,190**	**(14,436,296)**

11. Loan payables

	31 December 2023	31 December 2022
	GBP	**GBP**
SOF-12 HedgeCo 2 Limited	427,424,829	427,424,829
Wells Fargo	14,883,330	167,719,109
	442,308,159	**595,143,938**

As at 31 December 2023, the Company had entered in the following loan agreements as a borrower:

On 30 April 2021, the Company signed an interest-bearing intercompany loan agreement with SOF-12 HedgeCo 2 Limited. The unsecured term loan facility in GBP is to an aggregate amount of up to GBP 427,424,829 with a maturity date of 30 April 2031. The applicable rate on the loan is fixed at 2.05 per cent per annum or such other rate of interest as agreed between the lender and the borrower in writing from time to time.

On 30 April 2021, a revolving credit agreement with Wells Fargo was signed by the Company for a maximum aggregate of USD 500,000,000 with a maturity date of 10 September 2031 at a margin rate of 0.11% and charged at a SOFR rate of interest.

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FOR THE YEAR ENDED 31 DECEMBER 2023

12. Auditor remuneration

The audit fee for the year ended 31 December 2023 amounts to GBP 48,290 (2022: GBP 43,930), of which the whole amount was a payable as at the end of the year.

13. Financial risk management

As an integral part of the Company's investment strategy it intentionally exposes itself to various financial risks in order to enhance the potential for return. Such risks throughout the term of the Company include market risk, credit risk and liquidity risk:

Market risk

The potential for adverse changes in the fair value of the Company’s investments is referred to as market risk. Commonly used categories of market risk include currency risk and interest rate risk.

Currency risk may result from exposure to changes in spot prices, forward prices and volatilities of currency exchange rates.

Interest rate risk may result from exposures to changes in the level, slope and curvature of the various yield curves, the volatility of interest rates, and credit spreads.

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices other than those arising from currency risk or interest rate risk.

i) Market risk management

The Company’s investments are susceptible to market price risk arising from uncertainties about future values of the investments. The Investment Adviser will provide the Directors with investment recommendations, who then approve if these are consistent with the investment objectives.

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 investments of the Company are subject to normal market fluctuations and the risks inherent with investment in property markets. The maximum risk resulting from financial instruments held by the Company is determined by the fair value of the financial instruments. The Investment Adviser moderates this risk through careful selection of investments, which meet the investment objectives of the Company; the Company’s market risk is managed through diversification of the investment portfolio. Through a variety of analytical techniques, the Investment Adviser monitors the Company’s overall market positions, as well as its exposure to market risk.

The Company does not check its performance against a benchmark due to the inherent lack of information available. As the Company's investments are not traded, there is limited ability in correlating the return against a benchmark, as such no sensitivity analysis has been presented. The Investment Adviser, using their experience in the market, review the reports provided by the underlying investments as well as general market sentiment, to identify any anomalies.

Price risk

The Board has considered the impact of other price risk on the Company, its portfolio of investments and their fair values. Due to loan facilities available to the Company, the underlying quality of the investments and close monitoring of foreign exchange rate movements, the Investment Adviser and the Board believe the Company can fully mitigate other price risks.

13. Financial Risk Management (continued)

Currency risk

The table below summarises the Company's exposure to currency risk.

	31 December 2023	31 December 2022
	GBP	GBP
Borrowings from Wells Fargo (USD)	(14,883,330)	(167,719,109)
Interest expense (USD)	(9,231,350)	(7,608,871)
Loans advances to SOF-12 HedgeCo 1 Limited (USD)	14,883,330	371,583,521
Interest income (USD)	9,289,595	8,065,198
Cash and cash equivalents (USD)	96,431	1,124,445

Should the exchange rate of the USD against the GBP increase or decrease by 5% with all other variables held constant, the effect on the net assets of the Company would be an increase or decrease as shown in the table below:

	31 December 2023	31 December 2022
	GBP	GBP
	+/-	+/-
Movement on Net loans (USD)	-	10,193,221
Movement on interest (USD)	2,912	22,816
Movement on cash (USD)	4,822	56,222
	7,734	**10,272,259**

These percentages have been determined based on potential volatility and are deemed reasonable by the Directors. The Investment Adviser monitor the investment portfolio on an ongoing basis; and at least quarterly, against currency markets movements and expectations and updates the Directors.

Interest rate risk

The Company invests primarily in SPVs with underlying real estate investment properties that are non interest bearing investments, mainly subject to other price risk. Interest receivable on bank deposits will be affected by fluctuations in interest rates. Changes to prevailing interest rates or changes in expectations of future rates may result in an increase or decrease in the value of the investments held.

The majority of the Company’s financial assets and liabilities are related to interest bearing loans. As a result, the Company is subject to some risk due to fluctuations in the prevailing levels of market interest rates. The loans receivable are all inter company loans provided to the special purpose vehicles for funding the investments and are on fixed interest. Hence the interest rate risk impacts the loans repayable with variable SOFR rates.

As at 31 December 2023 the Company’s interest bearing liabilites all of which pay interest at a variable rate, were as follows:

	31 December 2023	31 December 2022
	GBP	GBP
Loans repayable - Wells Fargo	14,883,330	167,719,109
	14,883,330	**167,719,109**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Financial Risk Management (continued)

Interest rate risk (continued)

Based on the Company's interest bearing assets held at year end, a movement of 1% in SOFR interest rates would impact the Company's annual income by approximately GBP 189,500 (2022: GBP 1,013,275) per annum.

Credit risk

The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The primary exposure to credit risk is on the borrowings provided by the company. The Company takes on exposure to credit risk in the form of a counterparty being unable to fulfil their obligation as and when it falls due. Based on the performance of the underlying investment properties funded by borrowings the Directors consider credit risk to be minimal. There is also credit risk in respect of other financial assets as a portion of the Company's assets are cash and cash equivalents. The Company maintains its cash and cash equivalents across different banks to diversify credit risk which have been all rated A1 or higher by Moody's and this is subject to the Company's credit risk monitoring policies.

The maximum exposure to credit risk is equivalent to cash and cash equivalents disclosed in Note 5.

Liquidity risk

Also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with its investments and to generally be in a position to meet liabilities as and when they fall due for payment. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value in order to satisfy current funding obligations.

The financial liabilities of the Company comprise accrued expenses and borrowings. The Company will generally retain sufficient cash and cash equivalent balances to satisfy accrued expenses and creditors as they fall due. The Company also receives distributions from the underlying investments quarterly which allows all accruals and creditors to be serviced adequately.

The Company has a revolving loan facility with Wells Fargo which provides adequate resources to cover liquidity requirements.

The table below shows the maturity of the Company's financial liabilities arising from the revolving credit loan by the remaining contractual maturities as at 31 December 2023 and 2022. The amount disclosed are contractual, undiscounted cashflows and may differ from the actual cash flow paid in the future:

31 December 2023

	Between 3 and 12 months	Between 1 and 5 years	Due on Demand	Total
	GBP	GBP	GBP	GBP
Wells Fargo	-	14,883,330	-	14,883,330
SOF-12 HedgeCo 2 Limited	-	427,424,829	-	427,424,829
Interest payable	2,744,018	-	-	2,744,018
Payable to affiliates	4	-	-	4
Withholding tax payable	3,019,200	-	-	3,019,200
Other payables	91,230	-	-	91,230
	5,854,452	**442,308,159**	**-**	**448,162,611**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

13. Financial Risk Management (continued)

Liquidity risk (continued)

31 December 2022

	Between 3 and 12 months	Between 1 and 5 years	Due on Demand	Total
	GBP	GBP	GBP	GBP
Wells Fargo	-	167,719,109	-	167,719,109
SOF-12 HedgeCo 2	-	427,424,829	-	427,424,829
Interest payable	3,897,115	-	-	3,897,115
Payable to affiliates	5	-	-	5
Other payables	93,701	-	-	93,701
	3,990,821	**595,143,938**	**-**	**599,134,759**

14. Taxation

	31 December 2023	31 December 2022
	GBP	GBP
Current tax charge		
Current tax for the year	2,169	-
Total current tax	**2,169**	**-**

Factors effecting the tax charge for the year

A reconciliation of the total tax charge for the year to the charge that would result from applying the standard rate of income tax applicable to the company's profit before tax is provided below:

	31 December 2023	31 December 2022
	GBP	GBP
Profit on ordinary activities before tax	8,347,151	(62,061,256)
Profit on ordinary activities multiplied by weighted average rate of tax in UK	1,961,580	(11,791,639)
Effects of:		
REIT charge	2,169	-
Non - deductible expenses	877,788	10,830,327
Non - taxable income	(3,718,289)	62,061,256
Capital allowances	-	-
Losses not recognised	878,921	961,312
Total tax charge for the year	**2,169**	**-**

The Company is part of a REIT structure and this means that it is required to meet several criteria. This entitles the company to certain tax exemptions as a result. We note that the Company breached its interest cover requirement during the year and incurred a tax charge. The Company has taken tax advice in this regard and does not expect this to materially impact subsequent accounting periods.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5% (2022: 19%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

15. Related party transaction

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.

Directors fee

For the year ended 31 December 2023, the Company incurred Directors fee expenses of GBP 10,000 (2022: GBP 9,979), of which GBP 2,500 (2022: GBP 2,500) was payable as at 31 December 2023.

Loans and interest payable	**31 December 2023**	**31 December 2022**
	GBP	**GBP**
SOF-12 HedgeCo 2 Limited - loan principle	427,424,829	427,424,829
SOF-12 HedgeCo 2 Limited - loan interest payable	2,734,274	3,838,041
SOF-12 HedgeCo 2 Limited - loan interest expense	24,576,927	14,726,835

The Company obtained an interest free loan amount of GBP 3,766,939 from SOF-12 Master AIV LP which was fully repaid as at 31 December 2023.

Loan and interest receivable	**31 December 2023**	**31 December 2022**
	GBP	**GBP**
Grace BidCo Limited - loan principle	23,056,965	18,966,740
SOF-12 Cambridge BidCo Limited - loan principle	100,262,952	124,362,948
SOF-12 HedgeCo 1 Limited - loan principle	369,425,794	371,580,057
Grace BidCo Limited - loan interest receivable	47,954	40,272
SOF-12 Cambridge BidCo Limited - loan interest receivable	90,099	125,726
SOF-12 HedgeCo 1 Limited - loan interest receivable	673,800	3,526,201
Grace BidCo Limited - loan interest income	522,716	521,856
SOF-12 Cambridge BidCo Limited - loan interest income	2,364,178	3,252,835
SOF-12 HedgeCo 1 Limited - loan interest income	22,865,094	13,412,393

Receivable from affiliates	**31 December 2023**	**31 December 2022**
	GBP	**GBP**
Grace BidCo Limited	55,101	35,386
Cambridge Investco 1	750	10,000
Cambridge Investco 2	750	10,000
Cambridge Investco 3	750	10,000
Cambridge Investco 4	750	10,000
Cambridge Investco 5	750	10,000
Cambridge Investco 6	750	10,000
Cambridge Investco 7	750	10,000
Cambridge Investco 8	750	10,000
SOF-12 Cambridge BidCo Limited	93,438	10,000
SOF-12 Cambridge HoldCo Limited	28,765	16,962
Grace HoldCo Limited	545,868	13,719
SOF-12 SeedCo Limited	59,349	29,567
SOF 12 HedgeCo 1 Limited	79,156	40,400
SOF 12 HedgeCo 2 Limited	70,813	38,919
Ealing Studios Operations Limited	8,375	-
SOF-12 Master AIV LP Limited	1,144,941	729,693
SOF-12 AIV GP Subco Limited	10,000	10,000
SOF-12 Resolve BidCo Limited	-	58,366

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

16. Events after the year end

There were no material events after the reporting year which require disclosure in these financial statements.