

THIS ANNOUNCEMENT HAS BEEN DETERMINED TO CONTAIN INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014.

8 March 2024

### Triple Point Social Housing REIT plc

(the "**Company**" or, together with its subsidiaries, the "**Group**")

### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Triple Point Social Housing REIT plc (ticker: SOHO) is pleased to announce its audited results for the year ended 31 December 2023.

Christopher Phillips, Chair of Triple Point Social Housing REIT plc, commented:

"We are pleased to report a resilient set of results for 2023, despite challenging macro-economic conditions. The Group delivered strong rental growth, which along with the continued growth in demand for Specialised Supported Housing, helped to preserve the value of the Group's well diversified property portfolio over the last 12 months.

Triple Point SOHO is well positioned to continue to play a leading role in moving the sector forward through the rollout of our new risk-sharing clause and Eco-Retrofit pilot programme. These strategic initiatives, along with our granular approach to risk management, support our financial and operational performance, as well as the long-term valuation resilience of our portfolio.

Looking ahead, we take comfort from the robust fundamentals of the sector which, together with our inflation protection and fully fixed debt, positions the Group to continue to deliver shareholder value through the fulfilment of our long term strategy while providing good homes to people with care and support needs throughout the UK."

	31 December 2023	31 December 2022
Portfolio value - IFRS basis	£678.4m	£669.1m
EPRA Net Tangible Assets ("NTA") per share (equal to IFRS NAV per share)	113.76p	109.06p
EPRA Net Initial Yield (NIY)	5.57%	5.46%
Loan to Value	37.0%	37.4%
Earnings per share (basic and diluted) - IFRS basis - EPRA basis - Adjusted earnings	8.81p 4.92p 4.61p	6.18p 4.78p 4.87p

Total annualised rental income	£41.0m	£39.0m
Weighted average unexpired lease term	24.3 yrs	25.3 yrs
Dividend per share	5.46p	5.46p

## Financial highlights

- Total annual return including dividends of 9.3%, reflecting strong performance in a challenging year for the real estate sector
- Strong rental growth of 6.8% in 2023 (6.7% in 2022) underpinned by government support for our residents. 100% of leases linked to inflation or Government policy
- Portfolio valuation of £678.4 million on an IFRS basis as at 31 December 2023, representing an uplift of 14.0% against total invested funds of £594.9 million
- Growth of 4.3% EPRA NTA per share in 2023 driven by EPRA earnings growth and an uplift in the value of the property portfolio
- Dividends paid in line with 5.46 pence per share target, with dividend cover of 0.85x on an adjusted earnings basis. Dividend cover increased in the latter half of the year and the dividend is now covered on a run-rate basis.
- Successful portfolio sale of four properties for £7.6 million, principally in line with book value, demonstrating support for the Group's property portfolio valuation
- Completed a share buyback programme, repurchasing 9,322,512 shares for £5 million at 52.8% discount to EPRA NTA
- Maintained an Investment Grade Issuer Default Rating from Fitch of 'A-' (Stable Outlook) with a senior secured rating of 'A'
- 100% of debt is fixed price (weighted average coupon of 2.74%) and long-term (9.6 years), offering strong protection from increasing interest rates

## Operational highlights

- 90.2% of rent due was collected during the period, with material rental arrears attributable to only two out of 27 Approved Providers
- Progress was made with the two Approved Providers in arrears:
  - A creditor agreement is now in place with Parasol, and was extended post-period for a further six months while a longer-term agreement that will see Parasol increase its rent payments over time is finalised
  - My Space has increased its rent payments and the Manager expects to reach a creditor agreement in Q2 2024
- Initiated the rollout of a new risk sharing clause to help improve the governance and risk management of our Registered Provider partners. The clause has been agreed with the Boards of the Group's Registered Provider lessees, shared with the Regulator of Social Housing and has been included in 28.3% of the Group's leases to date
- Commenced an Eco-retrofit pilot programme to upgrade the Group's properties to an Energy Performance Certificate ("EPC") rating of C or above. The initiative aims to protect the value of the

Performance Certificate (EPC) rating of C or above. The initiative aims to protect the value of the Group's properties, reduce carbon emissions, and support lessees and the individuals living in the Group's properties. Four properties have been upgraded, with all works thus far completed on time and within budget

- Established a Sustainability & Impact Committee to consider a range of sustainability activities and outcomes, including the Eco-Retrofit Programme and the Group's Net Zero plan

## Outlook

- Strong rental growth of 2023 is expected to continue in 2024, with 64.6% of the Group's 2024 annual rent increases linked to the September 2023 Consumer Price Index figure of 6.7%
- Rent collection is expected to continue to improve as the Group enters into long-term operational solutions with Parasol and My Space, which, in turn, is supportive of increased dividend cover
- Continued rollout of strategic initiatives such as Eco-Retrofit programme and new risk sharing lease clause to protect the long-term value of the Group's portfolio
- Demand for Specialised Supported Housing continues to grow, and the sector continues to enjoy cross-party support due to its ability to provide independent homes to individuals with care needs whilst ensuring they can remain within their local community receiving the care and support on which they rely

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The Company's LEI is 213800BERVBS2HFTBC58.

Further information on the Company can be found on its website at [www.triplepointreit.com](http://www.triplepointreit.com).

#### **NOTES:**

The Company invests in primarily newly developed social housing assets in the UK, with a particular focus on supported housing. The majority of the assets within the portfolio are subject to inflation-linked, long-term, Fully Repairing and Insuring ("FRI") leases with Approved Providers (being Housing Associations, Local Authorities or other regulated organisations in receipt of direct payment from local government). The portfolio comprises investments into properties which are already subject to a lease with an Approved Provider, as well as forward funding of pre-let developments but does not include any direct development or speculative development.

The Company was admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 8 August 2017 and was admitted to the premium segment of the Official List of the Financial Conduct Authority and migrated to trading on the premium segment of the Main Market on 27 March 2018. The Company operates as a UK Real Estate Investment Trust ("REIT") and is a constituent of the FTSE EPRA/NAREIT index.

#### **CHAIR'S STATEMENT**

##### **Introduction**

Whilst 2023 was a challenging year for UK real estate, the Specialised Supported Housing sector continued to demonstrate its strong underlying fundamentals and we were able to deliver resilient returns to our shareholders.

We continued to see challenging macro-economic conditions during the year, with concerns over US banking and commercial property together with the expectation that interest rates would remain higher for longer putting sustained pressure on property valuations. Nonetheless, the decline in inflation in October and November provided some relief towards the end of the year.

2023, like the two years before it, has proved that we should not take anything for granted. Most notably, with the tragic events unfolding in the Middle East and the ongoing war in Ukraine, there remains the risk that increased geopolitical tensions cause inflation to remain elevated.

Against this backdrop, we take considerable comfort from the robust fundamentals of the sector in which the Group invests. Demand for Specialised Supported Housing continues to grow, and central and local Government continue to provide financial support for individuals who need housing and care. These two factors, combined with strong rental growth, have helped preserve the value of the Group's property portfolio over the last 12 months. As we report a resilient set of results, we remain focused on the Group's objective of providing good homes to people with care and support needs throughout the UK.

##### **Financial performance**

The Group has continued to perform well operationally, delivering rental growth in 2023 of 6.8%. The Group is in a strong position financially, 100% of our debt is long-term and fixed priced with a weighted average term of 9.6 years and at a weighted average fixed rate of 2.74%. In August 2023, for the second consecutive time, Fitch Ratings Ltd reaffirmed the Company's existing Investment Grade long-term Issuer Default Rating (IDR) of 'A-', with a stable outlook and a senior secured rating of 'A' for the Group's existing loan notes.

The Group's Net Asset Value has increased over the course of the year to £447.6 million, or by 1.9%. This represents resilient performance by the Group's portfolio, especially when compared to the wider commercial property sector which has continued to face pressure on property valuations. The Group met its full year 2023 dividend target of 5.46p, having held the target flat relative to 2022. The dividend was 0.85x covered on an adjusted earnings basis. Dividend cover increased in the latter half of the year and the dividend is now covered on a run rate basis. The Group delivered a total return including dividends of 9.3% during the financial year, which reflects strong performance in what was a challenging year for the real estate sector given the persistence of high inflation and interest rates.

##### **Managing the Discount**

The Group's share price has been a principal focus of the Board in 2023, and in its 3 February 2023 Trading Update, the Board set out how the Group could best deliver value to shareholders over the following months. This included, amongst other things, selling a portfolio of properties to provide a data point that was supportive of the Group's portfolio valuation, returning capital to shareholders through a share buyback programme, and working with two of the Group's Registered Provider lessees to increase rent collection. We are glad to report that we have broadly delivered on each of these actions.

In August 2023, we completed the sale of a portfolio of properties at a valuation principally in line with their book value. In July 2023, we completed a £5 million share buyback programme. Between 19 April 2023 and 12 June 2023, the Group bought back 9,322,512 shares for £5 million at an average price representing a discount to the prevailing published EPRA NTA of 52.8%. Finally, we have made good progress with the two lessees with material arrears (My Space and Parasol), rent collection increased in the latter half of the year due to a creditor agreement with Parasol and an increase in rent

payments from My Space. Further details regarding these actions and their outcomes can be found in the Investment Manager's Report.

As at 6 March 2024 the Group's share price had increased by 37.0% from its 2023 low in March and the Board remains focused on seeking to improve the share price and delivering shareholder value in 2024. As at 31 December 2023 the Group had a total cash balance of £29.5 million of which £10.7 million is either restricted or allocated with a further £8 million held back for working capital purposes, leaving net available cash of £10.8 million. Therefore, were the Company to undertake a further return of capital with an equal corresponding paydown of the Group's debt (to offset any resultant increase in Group leverage), any such distribution to shareholders would be limited to around £5 million.

Any larger return of capital to shareholders would be dependent on significant additional liquidity being delivered through property sales. Given market conditions remain challenging, and the Group's strong capital structure, the Board is not actively considering selling more properties in the short term. The Board remains committed to shareholder engagement and will continue to consult with shareholders following the publication of these results.

#### **New partnerships with leading Registered Providers creating impact**

The higher interest rates and inflationary environment alongside the requirement to invest into existing housing stock (to ensure compliance with the latest safety and sustainability standards) continue to erode the development budgets of Registered Providers. In turn, this promotes a growing reliance on private funding to deliver new homes. Therefore, in this environment, we are uniquely positioned to form partnerships with the leading Registered Providers in the Specialised Supported Housing sector, as demonstrated by our recent partnership with Golden Lane. We have allocated £2.8 million to a 12 apartment project in Chorley which we have developed in conjunction with Golden Lane, one of the best and largest Specialised Supported Housing focused Registered Providers. This is a market-leading project and will provide further evidence of the positive impact that private capital can deliver to the Specialised Supported Housing sector.

#### **Leading position in the sector**

Whilst focusing on financial performance and delivering shareholder value, the Board is also keen to ensure that the Group, as an institutional investor, continues to take a leading position in moving the Specialised Supported Housing sector forward.

We are the first institutional landlord to roll out a new risk sharing clause in its existing portfolio of leases to help improve the governance and risk management of our Registered Provider partners. The clause has been agreed with the Boards of the Group's Registered Provider lessees and shared with the Regulator of Social Housing and has been included in 28.3% of the Group's leases to date. As previously disclosed, JLL, the Group's valuers, have reviewed the clause and confirmed that they do not expect it to negatively impact the value of any leases it is included in.

We are investing in the energy efficiency of the Group's existing portfolio through the pilot phase of our Eco-Retrofit programme to preserve the long-term value of the Group's portfolio whilst enabling the Group to roll out a sector-leading initiative to reduce carbon emissions and provide residents with more efficient homes and lower utility bills.

Following the Government's introduction of a 7% cap on social housing rent increases in 2023, we voluntarily capped all of the Group's rent increases with Registered Provider lessees at 7% not withstanding that the cap did not apply to the Specialised Supported Housing Sector. This enabled our Registered Provider partners to manage risk better in a high inflationary environment and to limit rent increases during a cost-of-living crisis, whilst still allowing investors to benefit from a healthy rental uplift. In line with government policy, the cap has been discontinued in 2024 meaning that rents will revert back to tracking inflation.

Further information on these three initiatives can be found in the Investment Manager's Report.

#### **Governance**

Recognising the link between value creation and the quality of the homes we deliver, the Board has established a Sustainability & Impact Committee (announced on 24 May 2023) to ensure due consideration of a range of sustainability activities and outcomes. To date, the Sustainability & Impact Committee, led by Ian Reeves, has met three times since its establishment and has reviewed a range of ESG matters including considering and approving the roll-out of the pilot phase of the Group's Eco-Retrofit programme and the Group's Net Zero plan (more detail on which can be found in the Sustainability Report).

The performance evaluation of the Board and its Committees for 2023 was conducted externally by Advanced Boardroom Excellence, an independent consultancy. The review confirmed that the Board and its Committees continued to operate effectively in 2023, with some areas identified for further enhancement, which are set out in the Governance section of the Annual Report.

#### **Social Impact**

Social Impact continues to be of central importance to the Board when making decisions and is integral to our business model. This set of results once again demonstrates our conviction that financial performance and social impact are mutually reinforcing. The independent Impact Report prepared by The Good Economy identifies that our properties have delivered £3.08 of Total Social Value for every £1.00 invested in the year to 31 December 2023. You can read more on the social value and impact that our properties create in the Impact Report prepared by the Good Economy, available separately on our website.

#### **Outlook**

We expect ongoing resilience in financial and operational performance. The majority of the Group's lessees continue to operate in line with expectations with only two (My Space and Parasol) out of 27 lessees in material arrears. We anticipate making further progress with My Space and Parasol and for the wider portfolio to continue to perform well.

With 64.6% of the Group's 2024 annual rent increases linked to the September 2023 Consumer Price Index figure of 6.7%, we expect the strong rental growth of 2023 to continue in 2024.

The Group has a secure financial position and does not need to raise capital to refinance debt, or to meet investor return targets. Our focus can therefore remain on ensuring the continued performance of the property portfolio from which stable, long-term financial performance should follow. These factors, combined with the ongoing resilience of the portfolio valuation, ensure that the Group remains well positioned to deliver sustainable shareholder returns over the long-term.

Given current macro-economic conditions, and the limited amount of capital that the Group has available, the Board has decided not to commit to any further development projects other than the Chorley scheme, at this time. We expect the progress made with My Space and Parasol in 2023 to deliver an increase in rent collection during 2024 which should in turn help to ensure that the dividend is covered. The dividend is now covered on a run rate basis and we are focused on putting the Group in a position to resume its progressive dividend policy whilst maintaining a high degree of sustainable dividend cover over the medium to long-term. This is supported by the long-term, fixed priced debt the Group benefits from, and the recent strong rental growth delivered through the Group's inflation-linked leases.

The Board remains committed to addressing the performance of the Group's share price, and to working to narrow the share price discount to EPRA NTA whilst preserving the long-term performance and fundamentals of the Group. The Board will continue to engage with shareholders in 2024 around actions for the benefit of the Group overall.

The Board and the Investment Manager will continue to support the performance of the Group's portfolio by working closely with the Group's Registered Provider and Care Provider partners to roll out strategic initiatives such as the Eco Retrofit programme and new risk-sharing lease clause, closely monitor the granular performance of the Group's properties, and address any issues in the portfolio quickly as and when they arise. This granular approach to risk management supports the long-term value of the Group's portfolio and helps to ensure long-term operational and financial resilience.

## Conclusion

On behalf of the Board, I would like to thank the Investment Manager and advisers for their continued hard work and dedication. Most importantly, I would like to thank our shareholders and other stakeholders for their continued support as we work to evolve and execute our strategy to deliver good homes and long-term sustainable returns.

Chris Phillips

Chair

7 March 2024

## STRATEGY AND BUSINESS MODEL

The Board is responsible for the Company's investment objective and investment policy and has overall responsibility for ensuring the Group's activities are in line with such overall strategy. As noted in the Chair's Statement and the Investment Manager's report, in 2023, most of the Group's leases were subject to a one-off rental increase cap of 7%. The Group has commenced the roll out of a new risk sharing clause throughout the Group's portfolio of Registered Provider leases. The inclusion of the clause in our existing leases will enable the Boards of the Registered Providers that the Group has leases with to demonstrate an improved risk management strategy to the Regulator of Social Housing. As part of this clause, annual rent increase will be linked to the lower of inflation or government social housing rent policy (in so much as it applies to Specialised Supported Housing). In addition, when applicable, annual rental uplifts in the Group's leases (that contain this new clause) will be linked to September inflation figures to align with wider central housing benefit policy.

### Investment Objective

The Company's investment objective is to provide shareholders with stable, long-term, inflation-linked income from a portfolio of social housing assets in the United Kingdom with a focus on Supported Housing assets. The portfolio comprises investments in operating assets and the forward funding of pre-let development assets, the Group seeks to optimise the mix of these assets to enable it to pay a covered dividend increasing in line with inflation and so generate an attractive risk-adjusted total return.

### Investment Policy

To achieve its investment objective, the Group invests in a diversified portfolio of freehold or long leasehold social housing assets in the UK. Supported Housing assets account for at least 80% of the Group's gross asset value. The Group acquires portfolios of social housing assets and single social housing assets, either directly or via SPVs. Each asset is subject to a lease or occupancy agreement with an Approved Provider. The rent payable thereunder is, or is expected to be, subject to adjustment in line with inflation (generally CPI) or central housing benefit policy. Title to the assets remains with the Group under the terms of the relevant lease. The Group is not primarily responsible for any management or maintenance obligations under the terms of the lease or occupancy agreement, which typically are serviced by the Approved Provider lessee, save that the Group may take responsibility for funding the cost of planned maintenance. The Group is not responsible for the provision of care to residents of Supported Housing assets.

The social housing assets are sourced in the market by the Investment Manager.

The Group intends to hold its portfolio over the long-term, benefitting from generally long-term upward-only leases which are, or are expected to be, linked to inflation or central housing benefit policy. The Group will not be actively seeking to dispose any of its assets, although it may sell investments should an opportunity arise, that would enhance the value of the Group as a whole.

The Group may forward fund the development of new social housing assets when the Investment Manager believes that to do so would enhance returns for shareholders and/or secure an asset for the Group's portfolio at an attractive yield. Forward funding will only be provided in circumstances in which:

- (a) there is an agreement to lease the relevant property upon completion in place with an Approved Provider;
- (b) planning permission has been granted in respect of the site; and
- (c) the Group receives a return on its investment (at least equivalent to the projected income return for the completed asset) during the construction phase and before the start of the lease.

For the avoidance of doubt, the Group will not acquire land for speculative development of social housing assets.

In addition, the Group may engage third party contractors to renovate or customise existing social housing assets as necessary.

### Gearing

The Group uses gearing to enhance equity returns. The Directors will employ a level of borrowing that they consider prudent for the asset class and will seek to achieve a low cost of funds while maintaining flexibility in the underlying security requirements and the structure of both the Company's portfolio and the Group.

The Directors intend that the Group will target a level of aggregate borrowings over the medium-term equal to approximately 40% of the Group's gross asset value. The aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 50% of the Group's gross asset value.

Debt will typically be secured at the asset level, whether over a particular property or a holding entity for a particular property (or series of properties), without recourse to the Group and having consideration for key metrics including lender diversity, cost of debt, debt type and maturity profiles.

### Use of Derivatives

The Group may use derivatives for efficient portfolio management. In particular, the Group may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the Investment Policy as part of the Group's portfolio management. The Group will not enter into derivative transactions for speculative purposes.

### Investment Restrictions

The following investment restrictions apply:

- the Group will only invest in social housing assets located in the United Kingdom;
- the Group will only invest in social housing assets where the counterparty to the lease or occupancy agreement is an Approved Provider. Notwithstanding that, the Group may acquire a portfolio consisting predominantly of social housing assets where a small minority of such assets are leased to third parties who are not Approved Providers. The acquisition of such a portfolio will remain within the Investment Policy provided that at least 90% (by value) of the assets are leased to Approved Providers and, in aggregate, all such assets within the Group's total portfolio represent less than 5% of the Group's gross asset value at the time of acquisition;
- at least 80% of the Group's gross asset value will be invested in Supported Housing assets;
- the maximum exposure to any one asset (which, for the avoidance of doubt, will include houses and/or apartment blocks located on a contiguous basis) will not exceed 20% of the Group's gross asset value;
- the maximum exposure to any one Approved Provider will not exceed 30% of the Group's gross asset value, other

- than in exceptional circumstances for a period not to exceed three months;
- the Group may forward fund social housing units in circumstances where there is an agreement to lease in place and where the Group receives a coupon (or equivalent reduction in the purchase price) on its investment (generally slightly above or equal to the projected income return for the completed asset) during the construction phase and before entry into the lease. Forward funding equity commitments will be restricted to an aggregate value of not more than 20% of the Group's net asset value, calculated at the time of entering into any new forward funding arrangement;
- the Group will not invest in other alternative investment funds or closed-ended investment companies (which, for the avoidance of doubt, does not prohibit the acquisition of SPVs which own individual, or portfolios of, social housing assets);
- the Group will not set itself up as an Approved Provider; and
- the Group will not engage in short selling.

The investment limits detailed above apply at the time of the acquisition of the relevant asset in the portfolio. The Group will not be required to dispose of any investment or to rebalance its portfolio as a result of a change in the respective valuations of its assets or a merger of Approved Providers.

#### *Investment Strategy*

The Group specialises in investing in UK social housing, with a focus on Supported Housing. The strategy is underpinned by strong local authority demand for more social housing, which is reflected in the focus on acquiring recently developed and refurbished properties across the United Kingdom. The assets within the portfolio have typically been developed for pre-identified residents and in response to demand specified by local authorities or NHS commissioners. The existing portfolio comprises investments made into properties already subject to a fully repairing and insuring lease with specialist Approved Providers in receipt of direct payment from local government (usually Registered Providers regulated by the Regulator), as well as forward funding of pre-let developments. The portfolio will not include any direct development or speculative development investments. Following the amendments to the Company's investment policy in May 2022, the Group expects to enter into more flexible lease structures in the future. These more flexible lease structures may include entering into leases for shorter terms and, in certain cases, the Group may selectively take on the cost of funding planned maintenance on some properties.

In addition, as noted in the Chair's Statement and the Investment Manager's report, we have commenced the roll out of a new risk sharing clause in the Group's existing Registered Provider leases. The aim of this clause is to protect Registered Providers if factors beyond their control, such as a change in government policy in relation to Specialised Supported Housing rents, reduce the amount of rent they are able to generate from a property or properties that they lease from the Group. In some such circumstances the clause allows for the Registered Provider to agree a new rent level which is reflective of the revised circumstances. Should the new rent level not be acceptable to the Group, the Group has the ability to re-assign or terminate the lease.

#### *Business Model*

The Group owns and manages social housing properties that are leased to experienced housing managers (typically Registered Providers, which are often referred to as housing associations). The vast majority of the portfolio and future deal pipeline is made up of Supported Housing homes which are residential properties that have been adapted or built such that care and support can easily be provided to vulnerable residents who may have mental health issues, learning difficulties or physical disabilities. Whilst we have acquired operational properties, we have tended to focus more on acquiring recently developed or adapted properties in order to help local authorities meet increasing demand for suitable accommodation for vulnerable residents (the drivers of this demand are discussed in the Investment Manager's report). Local authorities are responsible for housing these residents and for the provision of all care and support services that are required.

The Supported Housing properties owned by the Group are leased to Approved Providers which are usually not-for-profit organisations focused on developing, tenancing and maintaining housing assets in the public (and private) sectors. Approved Providers are approved and regulated by the Government with the majority through the Regulator (or in some instances, where the Group contracts with care providers and charitable entities, the Care Quality Commission and the Charity Commission, respectively). The majority of the Group's existing leases with Approved Providers are linked to inflation, have a duration of 20 years or longer, and are fully repairing and insuring - meaning that the obligations for management, repair and maintenance of the property are passed to the Approved Provider. The Group may take responsibility for funding the cost of planned maintenance and improvements to the property in order to improve a property's energy efficiency rating under the Eco-Retrofit programme. Typically, the Government funds both the rent of the individuals housed in Supported Housing and the maintenance costs associated with managing the property. In addition, because of the vulnerable nature of the residents, the rent and maintenance costs are typically paid directly from the local authority to the Approved Provider on behalf of the individuals living in the property. The rent paid by the local authority to the Approved Provider on behalf of the residents is then paid to the Group via the lease. Ultimate funding for the rent of the individuals living in the properties owned by the Group typically comes from the Department for Work and Pensions in the form of housing benefits.

The majority of residents housed in Supported Housing properties require support and/or care. This is typically provided by a separate care provider regulated by the Care Quality Commission. The agreement for the provision of care for the residents is between the local authority and the care provider. The care provider is paid directly by the local authority. Usually, the Group has no direct financial or legal relationship with the care provider and the Group never has any responsibility for the provision of care to the residents in properties the Group owns. The care provider will often be responsible for nominating residents into the properties and, as a result, will normally provide some voids cover to the Approved Provider should they not be able to fill the asset (i.e. if occupancy is not 100%, it is often the care provider rather than the Approved Provider that will cover the cost of the rent due on void units). Under the terms of its lease, the Group is owed full rent regardless of underlying occupancy, but monitors occupancy levels and the payment of voids cover by care providers, to ensure that Approved Providers are appropriately protected.

Many assets that the Investment Manager sources for the Group have been recently developed and are either specifically designed new build properties or renovated existing houses or apartment blocks that have been adapted for Supported Housing. The benefit of buying recently developed or adapted stock is that it has been planned in response to local authority demand and is designed to meet the specific requirements of the intended residents. In addition, it enables the Group to work with a select stable of high-quality developers on pipelines of deals rather than being reliant on acquiring portfolios of already-built assets on the open market. This has two advantages: firstly, it enables the Group to source the majority of its deals off-market through trusted developer partners and, secondly, it ensures the Group has greater certainty over its pipeline with visibility over the long-term deal flow of the developers it works with and knows it will not have to compete with other funders.

As well as acquiring recently developed properties, the Group can provide forward funding to developers of new Supported Housing properties. Being able to provide forward funding gives the Group a competitive advantage over other acquirers of Supported Housing assets as it enables the Group to offer developers a single funding partner for both construction and the acquisition of the completed property. This is often more appealing to developers than having to work with two separate funders during the build of a new property as it reduces practical and relationship complexity. As well as strengthening developer relationships, forward funding enables the Group to have a greater portion of new build properties in its portfolio which typically attract higher valuations, are modern and have been custom-built to meet the needs of the residents they house, helping to achieve higher occupancy levels. The Group benefits from the Investment Manager's long track record of successfully forward funding a range of property and infrastructure assets and is uniquely positioned to partner on projects with the most respected organisations in the sector. The Group will only provide forward funding when the property has been pre-let to an Approved Provider and other protections, such as fixed-priced build contracts and deferred developer profits, have been put in place to mitigate construction risk.

Since the Company's IPO, the Group has set out to build a diversified portfolio that contains assets leased to a variety of Approved Providers, in a range of different counties, and serviced by a number of care providers. This has been possible

due to the Investment Manager's track record of over 15 years of asset-backed investments, its active investment in the Supported Housing sector since 2014, and the strong relationships it has enjoyed with local authorities for over a decade. These relationships have enabled the Group, in a relatively short space of time, to work with numerous Approved Providers, care providers and local authorities to help deliver Supported Housing that provide homes to some of the most vulnerable members of society.

#### KEY PERFORMANCE INDICATORS

In order to track the Group's progress the following key performance indicators are monitored:

KPI AND DEFINITION	RELEVANCE TO STRATEGY	PERFORMANCE	COMMENT
<b>1. Dividend</b>			
Dividends paid to shareholders and declared during the year.  Further information is set out in Note 27	The dividend reflects the Company's ability to deliver a low risk income stream from the portfolio.	Total dividends of 5.46 pence per share were paid or declared in respect of the year ended 31 December 2023.  (31 December 2022: 5.46 pence)	The Company has declared a dividend of 1.365 pence per Ordinary share in respect of the period 1 October 2023 to 31 December 2023, which will be paid on or around 29 March 2024. Total dividends paid and declared for the year are in line with the Company's target.
<b>2. EPRA Net Tangible Assets (NTA)</b>			
The EPRA NTA is equal to IFRS NAV as there are no deferred tax liabilities or other adjustments applicable to the Group under the REIT regime.  Further information is set out in Note 3 of the Unaudited Performance Measures.	EPRA NTA measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.	113.76 pence as at 31 December 2023.  (31 December 2022: 109.06 pence)	The IFRS NAV (equivalent to EPRA NTA) per share at IPO was 98 pence. The EPRA NTA of 113.76 pence represents an increase of 16.1% since IPO, driven primarily by yield compression at acquisition and subsequent annual rental uplifts.
<b>3. Loan to Value (LTV)</b>			
A proportion of our portfolio is funded through borrowings. Our medium to long-term target LTV is 35% to 40% with a maximum of 50%.  Further information is set out in Note 20.	The Group uses gearing to enhance equity returns.	37.0% LTV as at 31 December 2023.  (31 December 2022: 37.4% LTV)	Borrowings comprise two private placements of loan notes totalling £263.5 million provided by MetLife Investment Management and Barings.  The undrawn £160.0 million revolving credit facility with Lloyds and NatWest was cancelled in the prior year.
<b>4. EPRA Earnings per Share</b>			
EPRA Earnings per share (EPRA EPS) excludes gains from fair value adjustment on investment property that are included in the IFRS calculation for Earnings per share.  Further information is set out in Note 36.	A measure of a Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	4.92 pence per share for the year ended 31 December 2023, based on earnings excluding the fair value gain on properties, calculated on the weighted average number of shares in issue during the year.  (31 December 2022: 4.78 pence)	EPRA EPS has slightly increased despite the expected credit loss (relating to two Approved Providers not paying full rent) due to the increased rental income for the year which was driven by annual rent increases capped at 7%.
<b>5. Adjusted Earnings per Share</b>			
Adjusted earnings per share includes adjustments for non-cash items. The calculation is shown in Note 36.	A key measure which reflects actual cash flows supporting dividend payments.	4.61 pence per share for the year ended 31 December 2023, based on earnings after deducting the fair value gain on properties, amortisation and write-off of loan arrangement fees, and the movement in lease incentive debtor; calculated on the weighted average number of shares in issue during the year. In prior years the movement in the lease incentive debtor has not been adjusted for in the adjusted earnings as it was not material. The comparative has been restated for consistency.  (31 December 2022: 4.87 pence restated)	This demonstrates the Company's ability to meet dividend payments from net cash inflows. It represents a dividend cover for the year to 31 December 2023 of 0.85x.
<b>6. Weighted Average Unexpired Lease Term (WAULT)</b>			



The average unexpired lease term of the investment portfolio, weighted by annual passing rents.  Further information is set out in the Investment Manager's Report	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	24.3 years as at 31 December 2023 (includes put and call options).  (31 December 2022: 25.3 years)	As at 31 December 2023, the portfolio's WAULT stood at 24.3 years.
<b>7. Exposure to Largest Approved Provider</b>			
The percentage of the Group's gross assets that are leased to the single largest Approved Provider.	The exposure to the largest Approved Provider must be monitored to ensure that we are not overly exposed to one Approved Provider in the event of a default scenario.	29.5% as at 31 December 2023.  (31 December 2022: 29.5%)	Our maximum exposure limit is 30%.
<b>8. Total Return</b>			
Change in EPRA NTA plus total dividends paid during the period.	The Total Return measure highlights the gross return to investors including dividends paid since the prior year.	EPRA NTA per share was 113.76 pence as at 31 December 2023.  (31 December 2022: 109.06)  Total dividends paid during the year ended 31 December 2023 were 5.46 pence per share.  Total return was 9.32% for the year ended 31 December 2023.  (31 December 2022: 5.7%)	The EPRA NTA per share at 31 December 2023 was 113.76 pence. Adding back dividends paid during the year of 5.46 pence per Ordinary Share to the EPRA NTA at 31 December 2023 results in an increase of 9.3%.  The Total Return since IPO is 47.7% at 31 December 2023.

#### EPRA PERFORMANCE MEASURES

The table shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We provide these measures to aid comparison with other European real estate businesses.

Full reconciliations of EPRA Earnings and NAV performance measures are included in Note 36 of the consolidated financial statements and Notes 1 to 3 of the Unaudited Performance Measures, respectively. A full reconciliation of the other EPRA performance measures are included in the Unaudited Performance Measures section.

KPI AND DEFINITION	PURPOSE	PERFORMANCE
<b>1. EPRA Earnings per share</b>		
EPRA Earnings per share excludes gains from fair value adjustment on investment properties that are included in the IFRS calculation for Earnings per share.	A measure of a Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	4.92 pence per share for the year to 31 December 2023.  (4.78 pence per share as at 31 December 2022)
<b>2. EPRA Net Reinstatement Value (NRV) per share</b>		
The EPRA NRV adds back the purchasers' costs deducted from the IFRS valuation.	A measure that highlights the value of net assets on a long-term basis.	£489.6 million/124.43 pence per share as at 31 December 2023.  £480.7 million/119.31 pence per share as at 31 December 2022.
<b>3. EPRA Net Tangible Assets (NTA) per share</b>		
The EPRA NTA is equal to IFRS NAV as there are no deferred tax liabilities or other adjustments applicable to the Group under the REIT regime.	A measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.	£447.6 million/113.76 pence per share as at 31 December 2023.  £439.3 million/109.06 pence per share as at 31 December 2022.
<b>4. EPRA Net Disposal Value (NDV)</b>		
The EPRA NDV provides a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the	A measure that shows the shareholder value if assets and liabilities are not held until maturity	£503.7 million /128.02 pence per share as at 31 December 2023.

adjustments are calculated as to the full extent of their liability.	not held until maturity.	£510.1 million /126.63 pence per share as at 31 December 2022.
<b>5. EPRA Net Initial Yield (NIY)</b>		
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of a portfolio compares with others.	5.57% at 31 December 2023. 5.46% at 31 December 2022.
<b>6. EPRA "Topped-Up" NIY</b>		
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	The topped-up net initial yield is useful in that it allows investors to see the yield based on the full rent that is contracted at 31 December 2023.	5.72% at 31 December 2023. 5.51% at 31 December 2022.
<b>7. EPRA Vacancy Rate</b>		
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" percentage measure of investment property space that is vacant, based on ERV.	0.33% at 31 December 2023. 0.00% at 31 December 2022.
<b>8. EPRA Cost Ratio</b>		
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a Group's operating costs.	20.60% at 31 December 2023. 21.09% at 31 December 2022.

## INVESTMENT MANAGER'S REPORT

### Specialised Supported Housing Market

Whilst operating conditions have been volatile during this recent period of high inflation, as they were throughout the COVID pandemic, one constant of the sector is the structural excess demand for more Specialised Supported Housing. We see this on a daily basis through a requirement for funding for new developments brought to us by Local Authorities, and our Registered Provider and Care Provider partners. Similarly, the Government estimates that demand for more Specialised Supported Housing homes is set to increase by over 100,000 by 2030, or almost double relative to the number of Specialised Supported Homes occupied today<sup>1</sup>. A growing prevalence of disability, combined with the requirement to move people out of institutional care settings and provide independent community homes, is driving this increase in demand.

Demand for more Specialised Supported Housing properties underpins the performance of our Registered Provider and Care Provider partners and, in turn, the performance of the Group. Demand drives high levels of occupancy at the Registered Providers the Group works with and has helped ensure that the occupancy of the Group's portfolio has continued to increase as it matures. In addition, it supports our ability to address any issues within the Group's portfolio, such as if a new care provider needs to be brought into a property or an alternative Specialised Supported Housing use needs to be sought, thereby adding resilience to the portfolio's performance.

This year, the Group's Registered Provider and Care Provider operating partners have had to navigate the risks posed by persistent high interest rates and inflation, which have impacted a wide range of costs including maintenance and repairs and heating communal spaces. In addition, over the last 12 months a small number of Local Authorities have issued Section 114 notices requiring expenditure limits, which have served as a test for how the Specialised Supported Housing sector performs in times of market stress.<sup>2</sup>

As expected, the financial strains of Local Authorities, such as those in Woking and Nottingham, have not impacted their ability to meet their statutory requirement to fund the accommodation and care of the vulnerable people they are responsible for. Indeed Section 114 notices specifically allow for the continued funding of statutory services, and it has been reassuring to see this delivered in practice with services maintained irrespective of the financial position of the relevant Local Authority.

Similarly, our Registered Provider and Care Provider partners have generally managed the persistent increase in operating costs well. Typically, this is a case of ensuring they receive sufficient Housing Benefit to cover any increase in their operating cost base. Most Registered Providers were in a better position to understand and allow for their increased cost base in 2023 after the rapid rise in gas prices and other operating costs experienced in 2022. This performance, while reassuring as we progressed through challenging operating conditions, was not unexpected for the operational side of our Housing Team as they work closely with our Registered Provider partners.

Over the course of 2023, we have seen a growing desire amongst a wide range of Registered Providers to work in partnership with long-term private capital to deliver much needed, high-quality new homes and to help fund their development pipelines, a trend we expect to continue. The catalyst is the growing need for Registered Providers to find alternative sources of funding to deliver on their social mission to provide additional homes. Inflationary pressures, higher interest rates and a requirement to invest into their existing portfolios have eroded their ability to fund their development pipelines from their own reserves. Recent research<sup>3</sup> has indicated that Registered Provider expected investment budgets have been cut by 9% for 2024, and by 15% over the next 10 years. Similarly, the number of homes that English Registered Providers expect to build over the next five years has dropped by 64,000 since 2022, with a total of

40,000 new homes completed by Registered Providers in the 12 months ending 31 March 2023.

In the next section, we have provided a case study of the Chorley development that we will fund alongside Golden Lane, one of the sector's leading Specialised Supported Housing Registered Providers. The project demonstrates the positive impact that long-term capital can have when working in close partnership with Registered Providers.

### **Golden Lane Housing**

We expect to shortly complete on a new forward funding project, our first with Golden Lane Housing.

This development, located in Chorley, Lancashire, will support residents who have learning disabilities, autism requirements, and/or mental health needs, all of which will require a high level of support per week. Residents will come from a range of previous care environments including care homes, hospitals, and family homes. Staff will be on site 24 hours a day with bespoke one-to-one care packages in place for all residents.

The project has received commissioner support from the Head of Service for Learning Disabilities, Autism and Mental Health at Lancashire County Council. It was noted that the location of the site, close to the centre of Chorley, is ideal for enabling residents to integrate into the community.

The property will be managed by Golden Lane Housing. Golden Lane Housing was established in 1998 in order to provide supported housing and housing for elderly people. The organisation has over 2,500 tenants in over 1,200 properties located across England, Wales and Northern Ireland. Through the direct provision of Specialised Supported Housing and enhanced housing services, Golden Lane Housing offers solutions to people with a Learning Disability or Autism, so that they can live independent lives. Golden Lane received a G1 / V2 rating from the Regulator of Social Housing, which was confirmed most recently in November 2023.

Care and support will be provided by Glenelg which was founded in 2002 and has since grown to provide person-centred support for over 80 individuals in over 40 services across the Merseyside and Lancashire areas. Glenelg provides high-quality support for individuals with a learning disability, physical disability and/or mental health needs in the community. They work closely with individuals and their families in the planning and development of support tailored for each individual.

The property will provide high specification accommodation, and residents will benefit from personalised care packages to meet their individual needs. Integrated air source heat technology within each apartment will be utilised with individual thermostats allowing each apartment to act as an independent zone. Items such as electrical vehicle charging points for each parking space are incorporated into the design as we endeavour to future proof the project.

The property will provide 12 individual one-bedroom flats that have been designed to be easy to navigate, avoiding all institutional cues, whilst utilising interior design and colour to promote mindfulness.

Further adaptations to the property, which reflect resident care and support needs, include windows fitted with restrictors and double or triple glazing determined by acoustic performance requirements and the need for a low-sensory environment, specialist bathrooms that allow for assisted bathing if required, widened doors, and specialist warden, fire alarm and CCTV systems.

The project recognises the significance of integrating biodiversity considerations into the development process and will be the Group's first project to target a 10% biodiversity net gain. A Biodiversity Net Gain Report has been commissioned to provide suggestions that will help to meet this target. This will include an assessment of problematic species, onsite enhancement outlines and a landscape masterplan.

### **Financial Review**

The financial performance of the Group has been underpinned by the Group's long-term fixed priced debt. Strong rental growth, and excess demand for Specialised Supported Housing, have helped ensure that the Group's property portfolio has increased in value over the course of the year.

With a 7.0% cap on annual rent increases voluntarily applied to the Group's inflation-linked leases over the year, mirroring the Government's cap on the social housing sector, the Group achieved weighted average rental growth of 6.9% in the period, reflecting the Group's provision of inflation-correlated, long-term sustainable income. The Group paid dividends in line with its stated 5.46 pence per share target and delivered a total return of 9.3% to shareholders. Rent collection increased over the course of the year and we expect this trend to continue as the work undertaken during 2023 with Parasol (including putting in place a creditor agreement) and My Space results in increased collection from these two Registered Providers in 2024. This, in turn, should ensure that the trend of increased dividend cover in the latter half of 2023 continues into the new financial year.

Touching on some of the key highlights:

The annualised rental income of the Group was £41.0 million as at 31 December 2023 compared to £39.0 million as at 31 December 2022. The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business.

A fair value gain of £15.5 million was recognised during the year on the revaluation of the Group's properties.

IFRS Earnings per share was 8.81 pence for the year, compared to 6.18 pence in 2022.

The EPRA EPS excludes the fair value gain on investment property and is measured on the weighted average number of shares in issue during the period. EPRA EPS was 4.92 pence for the year compared to 4.78 pence in 2022.

The EPRA NTA per share as at 31 December 2023 was 113.76 pence per share, the same as the IFRS NAV per share.

At the year end, the portfolio was independently valued at £678.4 million on an IFRS basis compared to £669.1 million in 2022, reflecting a valuation increase of 14.0% against the portfolio's aggregate purchase price (including acquisition costs). This reflects an EPRA net yield of 5.57%, against the portfolio's blended net initial yield of 5.90% at the point of acquisition.

The EPRA ongoing charges ratio is calculated as a percentage of the average net asset value throughout the year. The ongoing charges ratio for the year was 1.63% compared to 1.60% in 2022.

The Group held cash and cash equivalents of £29.5 million at 31 December 2023 compared to £30.1 million at 31 December 2022. £10.8 million of cash was available for further investment as at 31 December 2023. Cash generated from operating activities was £25.9 million for the year, compared to £25.7 million for the year ended 31 December 2022.

### **Debt Financing**

All of the Group's debt is fixed-price and long-term with the earliest debt maturity occurring in mid-2028, providing strong

All of the Group's debt is fixed-price and long-term with the earliest debt maturity occurring in mid-2026, providing strong protection from higher interest rates.

As at 31 December 2023, the Group's debt structure comprised two facilities with a combined value of £263.5 million. Both facilities are fixed-priced (with a weighted average coupon of 2.74%), long-term (with a weighted average maturity of 9.6 years) and fully drawn. The Group continues to maintain significant covenant headroom across both facilities while also having additional liquidity in the form of cash and £75.1 million of unencumbered properties.

In August 2021, the Group secured £195.0 million of long-term, fixed-rate, interest-only, sustainability-linked loan notes through a private placement with Barings and MetLife Investment Management clients against a defined portfolio of the Group's properties at a loan-to-value of 50% at the point at which the debt was put in place. The loan notes are divided into two tranches of £77.5 million and £117.5 million, with maturities in 2031 and 2036, respectively. Across both tranches the weighted average coupon is 2.634%.

In addition, the Group has a long-term, fixed-rate facility with MetLife Investment Management providing £68.5 million of debt secured against a defined portfolio of the Group's properties at a loan-to-value of 40% at the point at which the debt was put in place. The facility comprises two tranches of £41.5 million and £27.0 million, with maturities in 2028 and 2033, respectively. Across both tranches the weighted average coupon is 3.039%.

In August 2023, the Group completed its annual review with Fitch Ratings, and we were pleased that the Group's existing rating of 'A-' with a Stable Outlook and senior secured ratings of 'A' were re-affirmed by Fitch Ratings in respect of both debt facilities. This reflects not only the Group's continued financial resilience, but also the resilience of the wider sector in spite of the broader economic and market conditions.

Further information on the Group's debt facilities is set out in Note 20 of the Group financial statements.

#### **Update on Strategic Initiatives**

The Group's financial performance is supported by the progressive and sector-leading approach we take to investing in the Specialised Supported Housing market. As well as focusing on delivering best in class new projects with leading Registered Providers, as demonstrated by the Chorley project, this also means ensuring that the Group's existing portfolio continues to progress as the sector evolves.

#### **New Lease Clause Update**

We are in the process of rolling out a new risk sharing clause throughout the Group's portfolio of Registered Provider leases. This will address some of the historical concerns raised by the Regulator of Social Housing around the balance of risk between landlords and tenants.

The inclusion of the lease clause in our existing leases will enable the Boards of the Registered Providers we work with to demonstrate an improved risk management strategy, by clearly mitigating some of the historical risk associated with long leases. Our proactive introduction of the lease clause demonstrates our commitment to actively partnering with Registered Providers around managing their risk.

As a reminder, the key terms of the new lease clause are detailed below:

- Triggering of the clause is subject to a materiality threshold measured against the aggregate value of the rental income generated from the portfolio of leases that the Group has with the relevant Registered Provider
- Subject to the above trigger threshold being met, the Registered Provider can approach the Group in relation to amending the lease rent to allow for the occurrence of either of the circumstances below:
  - A change in central Government policy that negatively impacts the level of rent that is applicable to Specialised Supported Housing or the exempt rent status of Specialised Supported Housing; or
  - A change in local Government policy that impacts the commissioning of the relevant property or properties
- In addition, the new clause provides for an increase in the annual rent payable to the Group amounting to the lower of UK CPI (or RPI where applicable), or the maximum rent increase allowed under prevailing policy to the extent that it applies to Specialised Supported Housing rents.

The new clause is already included in 28.3% of the Group's existing Registered Provider leases and we hope to have it included in all of the Group's leases in the near future. Details of the Group's Registered Providers and the percentage of leases in which the new clause has now been included are shown in the table in the Registered Provider Update in the Investment Manager's report.

The clause has been shared with the Regulator of Social Housing. It has also been reviewed by the Group's valuers and the valuers of the Group's lenders both of whom have confirmed that they do not expect the clause to have a detrimental impact on the valuation of the Group's properties.

In addition to the new lease clause, it is worth noting that this year, in response to the Government's cap of 7% on social housing rent increases, we rolled out a corresponding temporary one-year cap into all of the Group's existing uncapped Registered Provider leases. This successfully ensured that none of our Registered Provider partners were in a position whereby they were having to try to achieve rent increases of higher than 7% and which would have been out of line with sector averages and therefore potentially hard to achieve and challenging to justify. As the government cap has now been removed and its policy has reverted back to following CPI, there will be no temporary cap on rent increases applied in 2024.

#### **Eco-Retrofit Pilot Project**

As previously noted, by 2030 all socially rented properties need to have an Energy Performance Certificate ("EPC") rating of C or above. Currently, 71.0% of the Group's properties already meet the target with only 29.0% of the Group's properties having an EPC rating lower than C which compares favourably to the Social Housing sector average of 43.1%. We are committed to protecting the value of the Group's properties, reducing carbon emissions, and supporting our lessees and the individuals living in the Group's properties.

In the Group's latest Interim Report, we reported that we had just started work on the pilot phase of an energy efficiency improvement initiative which involved undertaking works on eleven of the Group's properties with EPC ratings ranging from D to E in order to upgrade these to C or above. We are pleased to report that the pilot project is now well underway and that all works have so far been completed on time and within budget. Most importantly, the pilot project has enabled us to see the positive impact that these works are having on the lives of the residents in the properties. It has also enabled us to learn about which technologies work best, how to conduct the works efficiently and in a way that minimises disruption to residents, and form strong relationships with our contracting partners.

At the time of writing, four properties have been upgraded from an EPC of D to either a B or a C. New technologies such as solar PV, mechanical ventilation, heating controls alongside improved insulation and draught proofing have improved energy efficiency whilst reducing utility bills and increasing thermal comfort for residents.

The principal objective of the pilot project is to enable us to learn from these first eleven properties and thereby inform and finalise our plans for the roll-out of the wider Eco-Retrofit project, which will see all of the Group's properties compliant with the required EPC standards. With the pilot project due to be completed before the end of 2024, we expect to be in a position to provide an update on the cost and timings of the wider project when we report our 2024 interim results.

#### **Portfolio Sale**

Alongside these strategic initiatives focused on preserving the long-term value of the Group's portfolio, in August 2023 we completed the sale of a portfolio of the Group's properties. The rationale behind the sale was to provide a data point that was supportive of the properties' book value and therefore the Group's Net Asset Value, whilst also demonstrating ongoing liquidity in the Specialised Supported Housing market.

liquidity in the specialised supported housing market.

In the Group's latest Interim Report, we noted that we had sold a portfolio of four properties post the interim period end, for £7.6 million, which was in line with the book value of the properties of £7.9 million as at 30 June 2023. The sale price was reflective of a £0.7 million gain against the aggregate purchase price the Group paid for the properties (excluding transaction costs). The properties were located across four Local Authorities, and leased to Inclusion Housing CIC and Chrysalis Supported Association Ltd, with care provided by four separate providers. The portfolio contained a mixture of adapted and new build properties as well as individual and shared homes. Included below is a table which compares some of the key metrics of the portfolio of properties sold to those of the Group's wider portfolio:

	Sale Portfolio	Group Portfolio
Properties	4	497
Residents	38	3,455
Average residents per property	9.5	7.0
Fair Market Value	£7.9 million	£675.1 million
Blended valuation yield	5.75%	5.69%
WAULT	19.3 years	24.8 years

The successful portfolio sale was helpful in supporting the Group's Net Asset Value and evidencing the continued investor demand for Specialised Supported Housing properties.

#### Asset Management

Effective monitoring of the granular performance of the Group's portfolio is at the core of what we do and our asset management team aims to visit 200 of the Group's properties each year. Since the publication of our Interim Report in September 2023, we have made three new hires into the asset management side of the Housing Team. These hires have focused on adding additional experience and resources to our data management, property inspection and operational support functions. All three have previously worked for Registered Providers and/or Local Authorities. This is in line with our philosophy of having a diversified Housing Team where people with direct experience of delivering social housing work alongside and complement the experience of individuals from fund management, legal and finance backgrounds. This allows us to deliver good homes to our residents and optimise operational performance of the Group's portfolio to ensure sustainable long-term returns for the Group's shareholders.

#### Registered Provider Update

As described in the market section of this report, most of the Group's Registered Providers have weathered well the challenges posed by the high interest rates and inflation. As such, there have been no material rent arrears in the period in the Group's portfolio other than those that relate to My Space and Parasol, as previously reported, and we are working to increase rental income from the properties currently let to both My Space and Parasol.

Please see below a table that provides commentary on the performance of the Group's top 10 lessees.

Top 10 Lessees	% of SOHO total rent	# of SOHO properties	Date of start of SOHO relationship	New lease clause status	Lessee Type	Year Founded	# of total units under management	Regulatory Status*	Comments
Inclusion Housing	28.90%	124	August 2017	Implemented Q4 2023	Registered Provider	2007	4,341	G3 / V3 (February 2019)	Leading RP in the Specialised Supported Housing sector. Led development of risk sharing clause. Financial position has materially strengthened since Regulatory Judgement in 2019.
Parasol Homes	9.70%	38	December 2018	New risk clause has been shared.	Registered Provider	2006	975	Non-compliant Notice (December 2021)	New Chair and senior management team. One of two RPs with material arrears. The Group is working towards agreeing an equitable long-term agreement, if not achieved leases will be moved away to an alternative RP.
Falcon	8.50%	62	September 2017	Substantially agreed, expected to be signed in Q1 2024	Registered Provider	2008	960	Non-compliant Notice (November 2021)	Continual progress made following non-compliant regulatory notice in 2021. Board has been strengthened. Recent improvements in operational

									in operational performance following maintenance being taken in-house.
Hilldale	8.50%	30	November 2017	Substantially agreed, expected to be signed in Q1 2024	Registered Provider	2009	1,086	Non-compliant Notice (March 2021)	Continual progress made following non-compliant regulatory notice in 2021 including strengthened Board and senior management team. Led development of risk sharing clause.
My Space	8.10%	34	October 2017	Risk clause will be shared as part of creditors agreement.	Registered Provider	2012	1,812	G4 / V4 (December 2022) Enforcement Notice (January 2023)	Following January 2023 enforcement notice, new senior management team in place who have already delivered material operational improvements. One of two RPs with material arrears. Rent payments have increased and creditors agreement is expected to be agreed in the first half of 2024.
Chrysalis	5.40%	27	November 2017	Substantially agreed, expected to be signed in Q1 2024	Registered Provider	2004	335	No judgement or notice received	Relatively small RP. Highly responsive management team and Board. Consistent operational performance.
BeST	5.20%	41	October 2017	Substantially agreed, expected to be signed in Q1 2024	Registered Provider	2010	1,720	Non-compliant Notice (May 2019)	New CEO in position since the start of 2024. Decision taken to pursue a merger with Westmoreland which, if successful, will complete in early 2025 and will create a stronger combined entity.
Auckland	4.70%	30	October 2017	Discussions ongoing, expected to be signed in Q1 2024	Registered Provider	2010	951	Non-compliant Notice (August 2021) Enforcement Notice (April 2023)	New management team and additional Board members in place following April 2023 enforcement notice. Improved performance and engagement has followed.
Blue Square	3.90%	12	May 2020	Discussions ongoing, expected to be signed in Q1 2024	Registered Provider	2012	540	No judgement or notice received	Relatively small RP. Consistent management team and Board, consistent operational performance.
Care Housing	3.60%	11	April 2018	Substantially agreed, expected to	Registered	2003	437	No judgement	Relatively small RP with tight regional focus. Consistent management

Housing Association	2022/23	2023/24	April 2023	Expected to be signed in Q1 2024	Provider	2022/23	2023/24	or notice received	management team and Board, consistent operational performance.

\*The Specialised Supported Housing sector is regulated by the Regulator who carries out assessments on registered providers either through a scheduled In-depth assessment ("IDA") or reactive engagement. When a registered provider passes the 1,000-unit threshold, it automatically becomes subject to a detailed IDA by the Regulator. The IDA assesses compliance with the requirements of the Governance and Financial Viability Standard. The outcome of an IDA results in the Regulator publishing a formal grading (V 1-4 for Viability and G 1-4 for Governance, where V1-2 and G1-2 are considered "compliant" ratings, and V3-4 and G3-4 are considered "non-compliant" ratings), known as a regulatory judgement.

As noted in the Group's update published on the 13 November 2023, we are working towards finalising a creditor's agreement with My Space which we expect to be put in place during the first half of 2024. Simultaneously we are working with My Space to move a small number of properties to alternative Registered Providers.

Our decision to keep leases with My Space reflects a significant strengthening of the Registered Provider's senior management team and Board. In particular, the new CEO, who joined My Space in September 2023, has driven material operational change, improved dialogue and engagement with the Regulator of Social Housing and increased rent payments to Landlords. We are supportive of his plans for the organisation and are of the view that the Group's rental income generated from the properties leased to My Space can best be improved and sustained over the long-term if the majority of the Group's leases remain with My Space. We are nonetheless considering moving a small number of the Group's properties currently leased to My Space to alternative Registered Providers. Principally, this relates to the selected alternative Registered Provider's superior geographical coverage in the area relevant to the properties and their ability to deliver better housing management services, as well as to constructively engage with the relevant Local Authority commissioners.

As noted in the interim report, in August 2023 we put in place a creditors agreement with Parasol which was effective from 1 July 2023 and was reflective of the level of rent being received by Parasol at the time. Parasol have consistently met the terms of the agreement and we have extended it for a further six months whilst we finalise a longer-term agreement with Parasol that should see rent paid to the Group by Parasol increase over time. In the event that we are not able to reach an equitable long-term agreement with Parasol we have identified and agreed terms with an alternative Registered Provider who we would look to move the Group's Parasol leased properties to. Any transfer of properties would be undertaken with the interests of the residents at the forefront of the transfer process.

The Regulator of Social Housing remains active in this sector and continues to engage closely with a number of the Group's Registered Provider partners. We view this positively as it promotes greater accountability and transparency, and higher financial and governance standards. In the Group's latest Interim Report, we noted that in the first six months of the year ended 31 December 2023, the Regulator of Social Housing issued Enforcement Notices in relation to My Space and Auckland Home Solutions, accounting for 7.7% and 4.7% of the Group's rent roll, respectively. We are pleased to note that since then no further notices or judgements have been issued by the Regulator of Social Housing in relation to any of the Group's lessees. For the Group's Registered Providers about whom the Regulator of Social Housing had previously issued judgements or notices, this is testament to their willingness to engage constructively with the Regulator of Social Housing to address their historical observations, and the progress made in this regard.

#### Property Portfolio

As at 31 December 2023, the portfolio comprised 493 properties with 3,417 units and represented a broad geographic diversification across the UK. The four largest concentrated areas by market value were the North West (19.1%), West Midlands (17.1%), Yorkshire (15.1%) and East Midlands (11.1%). The IFRS value of the portfolio at 31 December 2023 was £678.4 million compared to £669.1 million at 31 December 2022, growth of 1.4% during the period.

#### Rental Income

In total, the Group had 390 leases which generated total annualised contracted rental income of £41.0 million as at 31 December 2023. During the year IFRS Revenue was £39.8 million compared to £37.3 million in 2022.

At the year end, the Group's three largest Approved Providers by annualised contracted rental income and units were Inclusion Housing (£11.8 million and 911 units), Parasol Homes (£4.0 million and 246 units) and Hilldale (£3.5 million and 317 units).

As at 31 December 2023, the portfolio had a WAULT of 24.3 years. The WAULT includes the initial lease term upon completion as well as any reversionary leases and put/call options available to the Group at expiry of the initial term.

100% of the Group's contracted income is generated under leases which are indexed against either CPI (92.5%) or RPI (7.5%). For 2023 all Registered Provider leases temporarily had rent increases capped at 7.0%. The new lease clause that is being introduced into all existing Registered Provider leases provides for an increase in the annual rent payable to the Group amounting to the lower of CPI (or RPI where applicable), or the maximum rent increase allowed under prevailing policy to the extent that it applies to Specialised Supported Housing rents. A full update on the roll out of the new lease clause is included in the New Lease Clause Update section above.

Some leases have an index 'premium' under which the standard rental increase is based upon CPI or RPI plus a further percentage point, reflecting top-ups by local authorities. These account for 7.5% of the Group's leases. A small portion of the Group's leases (4.9% of rental income) contain a cap and collar on rental increases. For the purposes of the portfolio valuation, JLL assumed CPI and RPI to increase at 2.0% per annum and 2.5% per annum, respectively, over the term of the relevant leases. Despite the high levels of inflation that are currently being experienced and are projected in the short term in the UK, JLL's inflation assumptions remain unchanged from previous periods given the Group's long-term outlook, with a WAULT and contracted income streams of 24.3 years.

Rent collection during the year was 90.2% (31 December 2022: 91.8%) and a full update on rent arrears is included in the Registered Provider Update section above.

#### Outlook

Looking forward to a year in which there will likely be a General Election, we are reassured that our business model is unlikely to be impacted by the result. Specialised Supported Housing continues to enjoy cross-party support due to its ability to provide independent homes to individuals with care needs whilst ensuring they can remain within their local community receiving the care and support on which they rely. Whatever form the next Government takes, we expect them to preserve the level of benefits available to some of the most vulnerable members of society. Similarly, due to a cross-party focus on fiscal responsibility, we expect any new Government to continue to rely on private funding to help build the new homes required to make meaningful inroads into the UK's housing crisis. All of this reaffirms the strong fundamentals on which the Group's strategy is predicated.

This favourable outlook, combined with the Group's strong protection from higher interest rates (due to its attractively priced long-term debt) and inflation (through its inflation-linked leases) allows us as the Investment Manager to focus on the things we can control, namely preserving the long-term performance of the Group's portfolio through active asset management.

We remain focused on delivering key strategic initiatives such as the Eco-Retrofit programme and the roll-out of the risk sharing clause, whilst simultaneously continuing to monitor and react to the granular performance of the Group's property portfolio. A major focus will be on ensuring that the time spent in 2023 working on long-term plans in relation to the Group's properties leased to My Space and Parasol deliver a material increase in rent collection during 2024.

The dividend is now covered on a run rate basis and we expect this approach to be supportive of increased dividend cover over the next 12 months as rent receipts increase. Over the longer-term, the Group's compelling capital structure, combined

over the next 12 months as rent receipts increase. Over the longer-term, the Group's compelling capital structure, combined with the strong rental growth of the last 24 months, which is expected to continue this year, is supportive of a progressive dividend policy and a covered dividend. As Investment Manager, we are focused on ensuring that we move to a period of long-term dividend cover over the next 12 months.

Finally, we aim to continue to deliver good homes to people with care and support needs throughout the UK. Our ability to deploy capital into additional homes is currently limited but we remain focused on ensuring that our existing portfolio best meets the needs of the individuals we provide homes to. In this regard, there is no substitute for the active approach we take to asset and property management, and the relationship-driven partnership approach we employ with the Registered Providers and Care Providers responsible for servicing the needs of our residents.

From the provision of good homes comes resilient long-term investor returns, so we expect that by maintaining our focus on these areas we can ensure the continued resilience of the Group's portfolio and deliver value to the Group's shareholders.

**Max Shenkman**

Head of Investment

7 March 2024

**Notes:**

1<https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper/people-at-the-heart-of-care-adult-social-care-reform>

2 A Section 114 notice indicates that the relevant council's forecast income is insufficient to meet its forecast expenditure for the next year. No new expenditure is permitted, with the exception of the funding of statutory services, including safeguarding vulnerable people. Existing commitments and contracts will continue to be honoured.

3 Spending on affordable housing in England to be slashed in 2024; FT.com; <https://www.ft.com/content/11e09c45-dec4-485e-9576-221859509e30>

**PORTFOLIO SUMMARY**

Region	Properties	% of funds invested*
North West	97	19.1
West Midlands	82	16.3
Yorkshire	66	15.2
East Midlands	55	11.1
North East	51	9.9
South East	61	9.3
London	27	8.6
South West	29	4.8
East	21	4.2
Scotland	2	1
Wales	2	0.5
<b>Total</b>	<b>493</b>	<b>100</b>

\*calculated excluding acquisition costs

**SUSTAINABILITY REPORT**

We aim to be one of the leading investors in UK Specialised Supported Housing and this is reflected in our constantly evolving and committed approach to embedding social outcomes through the homes we create, alongside an understanding of the need to ensure wider environmental, social and governance (ESG) factors in decisions taken by the Group and our counterparties.

Our business model seeks to ensure that our properties are suitable to meet residents' needs and assist local authorities in responding to local demand for the benefit of the wider community. Social impact is therefore at the heart of what we do, and we focus on investing where there is clear long-term social need. How we do this is summarised below and set out in further detail in the independent Impact Report available separately on the website<sup>1</sup>. We maintain a robust corporate governance framework, and this is described in further detail within our Governance Report in the Annual Report. We also recognise the importance of a wide range of other social factors alongside environmental considerations and in particular environmental efficiency, which is becoming increasingly integral to our investment strategy.

**The Group's sustainability**

The Group continues to provide homes to individuals who need housing and support. These are some of the most vulnerable members of society, with a range of learning disabilities, physical disabilities, and mental health diagnoses. Conversations with housing providers, care providers and local authority commissioners confirm that there is a high level of underlying demand for Specialised Supported Housing. We also have a responsibility to consider the wider risk, opportunities and impacts of sustainability issues if the Group is to succeed in providing high quality social housing for vulnerable people over the long term.



succeed in providing high quality social housing for vulnerable people over the long term.

We understand the importance of transparent reporting as a requisite to accountability for strong sustainability performance. We have identified key environmental, social and governance data points that play a role in influencing the strategy's sustainable future. These data points incorporate areas where the Group has the ability to drive positive change across its portfolio and the wider sector.

To demonstrate our commitment to sustainability progress, the Group has opted to track and report on the ESG data points noted in table 1 below. In addition to reporting data for FY 2023, where relevant, we have included data from 2022 to demonstrate year-on-year change. For the first time, targets have now been set on the carbon emissions of properties. Prior to this, data was being tracked with explicit action only relating to the EPC profile of the portfolio.

**Sustainability Table 1. Portfolio sustainability performance for the reporting year ended 31 December 2023**

<b>Metric</b>	<b>FY23</b>	<b>FY22 (if applicable)</b>																																																																														
Portfolio EPC ratings	<b>A-C: 71.04%<sup>2</sup></b> <b>A: 0.41%</b> <b>B: 30.80%</b> <b>C: 39.83%</b> <b>D: 21.99%</b> <b>E: 6.81%</b> <b>F: 0.12%</b>	<b>A-C: 70.87%<sup>2</sup></b> <b>A: 0.40%</b> <b>B: 31.15%</b> <b>C 39.31%</b> <b>D: 22.02%</b> <b>E: 6.95%</b> <b>F: 0.12%</b>																																																																														
Scope 3 property emissions (Tonnes) <sup>3</sup>	<b>4,763 tonnes (Location-based emissions)</b> <b>3,464 tonnes (Market-based emissions)</b>	<b>3,610 tonnes (estimated)</b>																																																																														
Property emissions intensity <sup>4</sup>	<b>30.9 tCO<sub>2</sub>e /m<sup>2</sup> (location-based)</b> <b>22.4 tCO<sub>2</sub>e /m<sup>2</sup> (market-based)</b>	<b>1.4 tonnes per property (estimated)</b>																																																																														
<b>Metric</b>	<b>FY23</b>	<b>FY22 (if applicable)</b>																																																																														
Number of properties and location <sup>5</sup>	<table> <tr><td></td><td></td><td></td></tr> <tr><td>East</td><td>21</td><td>128</td></tr> <tr><td>East Midlands</td><td>55</td><td>412</td></tr> <tr><td>London</td><td>27</td><td>191</td></tr> <tr><td>North East</td><td>51</td><td>400</td></tr> <tr><td>North West</td><td>97</td><td>705</td></tr> <tr><td>Scotland</td><td>2</td><td>29</td></tr> <tr><td>South East</td><td>61</td><td>272</td></tr> <tr><td>South West</td><td>29</td><td>167</td></tr> <tr><td>Wales</td><td>2</td><td>20</td></tr> <tr><td>West Midlands</td><td>82</td><td>545</td></tr> <tr><td>Yorkshire</td><td>66</td><td>548</td></tr> <tr><td></td><td><b>493</b></td><td><b>3417</b></td></tr> </table>				East	21	128	East Midlands	55	412	London	27	191	North East	51	400	North West	97	705	Scotland	2	29	South East	61	272	South West	29	167	Wales	2	20	West Midlands	82	545	Yorkshire	66	548		<b>493</b>	<b>3417</b>	<table> <tr><td></td><td></td><td></td></tr> <tr><td>East</td><td>20</td><td>125</td></tr> <tr><td>East Midlands</td><td>58</td><td>442</td></tr> <tr><td>London</td><td>27</td><td>192</td></tr> <tr><td>North East</td><td>50</td><td>377</td></tr> <tr><td>North West</td><td>99</td><td>732</td></tr> <tr><td>Scotland</td><td>2</td><td>29</td></tr> <tr><td>South East</td><td>62</td><td>276</td></tr> <tr><td>South West</td><td>29</td><td>167</td></tr> <tr><td>Wales</td><td>2</td><td>20</td></tr> <tr><td>West Midlands</td><td>84</td><td>554</td></tr> <tr><td>Yorkshire</td><td>64</td><td>542</td></tr> <tr><td></td><td><b>497</b></td><td><b>3456</b></td></tr> </table>				East	20	125	East Midlands	58	442	London	27	192	North East	50	377	North West	99	732	Scotland	2	29	South East	62	276	South West	29	167	Wales	2	20	West Midlands	84	554	Yorkshire	64	542		<b>497</b>	<b>3456</b>
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Percentage of residents satisfied with the quality of their home <sup>6</sup>	<b>91%</b>	<b>91%</b>																																																																														
<b>Metric</b>	<b>FY23</b>	<b>FY22 (if applicable)</b>																																																																														
Quality rating of care providers (Care Quality Commission) % at outstanding / good	<b>83%</b>	<b>85%</b>																																																																														
Investment Trust Governance	<b>Average age: 67</b> <b>Gender split ratio:</b> Please see the Governance report in the Annual Report for gender disclosure. <b>Ethnicity split: list of %'s:</b> Please see the Governance report in the Annual Report for ethnicity disclosure. <b>Non-executives vs. directors ratio:</b> 100% Non-executive Directors <b>Experience:</b> Please see the Governance report in the Annual Report for board members' biographies.																																																																															
<b>Board engagement with ESG</b>  <b>ESG Training</b>	The Board receives specific sustainability training from the Investment Manager's Head of Sustainability at a minimum of every 2 years. The Board last undertook training in 2022, with a further session due to take place in 2024. In addition, the Board has established a Sustainability & Impact Committee during the period, which is kept informed by the Investment Manager's Sustainability team of regulatory changes which do or are likely to impact the Company's ESG strategy.																																																																															
<b>Environment</b>	The Sustainability & Impact Committee considered, and recommended to the Board for approval, the commencement of an Eco-Retrofit Pilot Project. Specifically, this is a sector-first programme to fund the upgrade of 11 properties within the Group's portfolio to a minimum EPC of "C".  In addition, the Sustainability & Impact Committee considered, and recommended to the Board for approval, the proposal to commit the Company to reduce portfolio emissions by 75% per m2 by 2035 from a baseline year of 2021.  The Board subsequently approved both recommendations. Further information can be found in the Sustainability & Impact Committee report in the Annual Report.																																																																															

<b>Social</b>	In order to address Regulator concerns regarding risks that long leases can pose to Registered Providers (such as risk of changes to Government policy impacting the amount of housing benefit available to individuals living in Specialised Supported Housing and therefore Registered Providers' ability to pay lease rent), the Board considered and approved the roll out of a new risk sharing clause throughout the Group's portfolio of Registered Provider leases. This clause will enable the Boards of Registered Providers to demonstrate an improved risk management strategy, by mitigating some of the historical risk associated with long leases. Further information can be found in the Investment Manager's report.
<b>Governance</b>	During the period, the Board decided to change the membership and structure of the Board's Committees, as announced on 24 May 2023. The key changes included implementing smaller Committees, to ensure better management of the Board's duties, as well as the establishment of a Sustainability & Impact Committee, to ensure there is appropriate oversight and focus on the Group's ESG strategy.

#### Sustainability approaches: Impact and ESG integration

The Group's approach to sustainability is to create social impact by delivering homes for vulnerable individuals supported through the additional management of wider risks and opportunities which may impact the quality of those homes or the long-term value of the assets through the integration of ESG factors in the investment decision making process.

**Impact creation:** The Government estimates that demand for Specialised Supported Housing is set to increase by 125,000 by 2030<sup>7</sup>. A growing prevalence of disability, combined with the requirement to move people out of institutional care settings and provide independent community homes, is driving this increase in demand. Through the Group's investments and partnerships with Registered Providers, our social impact goal is to increase the provision of Specialised Supported Housing that delivers positive outcomes for people with care and support needs. Under this overall impact goal, the Group has established the following set of impact objectives and identified the target outcomes to which the Fund aims to contribute:

#### Impact objectives

*The areas under the Group's direct control or influence:*

#### Contribute towards

**Social Need;**

**Fund sustainable developments;**

**Increase supply;**

**Quality services and partnerships**

#### Target outcomes<sup>8</sup>

*The outcomes for people and planet; these depend on many factors, one of which may be the Group's activities*

**Improve wellbeing**

**Value for money**

The Good Economy conduct an independent assessment of the impact objectives and target outcomes. Full details regarding the impact results can be found at The Good Economy's website<sup>9</sup>.

**ESG integration:** In conjunction with the Board's endorsement, and in line with the Principles of Responsible Investment (PRI), the Investment Manager has an ESG integration policy in place, directly relating to the Group's investments with the aim of ensuring value for investors, coupled with respecting society and the environment. Within this integration policy, the Investment Manager has set out principles which it incorporates throughout its business, for example, to consider the impact of operations on local communities and to uphold high standards of business integrity and honesty.

An overview of how ESG is integrated throughout the investment process is outlined in table 2, whilst further details of this process, including examples, can be found within the ESG integration policy (available on the Group's website<sup>10</sup>).

**Sustainability Table 2. The Group integrates ESG throughout all stages of the investment process.**

Investment stage	Sustainability activities
<b>Origination and initial due diligence</b>	Key ESG and impact factors are summarised within the team's internal pipeline tracker. An opportunity will only progress to incurring costs once the senior investment team members believe that ESG conditions are being met or managed and the opportunity does not present a material ESG risk.
<b>Cost incurring due diligence</b>	Key ESG considerations are assessed on a deal-by-deal basis within the ESG due diligence questionnaire. A new due diligence tracker is completed for new transactions and the tracker also assesses transactions against six impact objectives. The ESG due diligence questionnaire is designed to capture all the ESG metrics collated throughout the origination and due diligence phase and ensures compliance with minimum standards set for properties entering the portfolio.
<b>Property Investment Committee</b>	ESG factors are presented and considered by members of the investment committee within a paper which is accompanied by the due diligence tracker for all supporting ESG data. The meeting minutes will record any ESG issues raised, with confirmation that ESG factors have been considered, and the committee believes that once any ESG conditions are met, the deal does not present a material ESG risk. The final due diligence tracker will record any investment committee comments or actions on ESG.
<b>Ownership and asset management</b>	On-going conversations with partners to discuss and gather insight and share good practice as well as identifying any early future challenges. Property performance is monitored to ensure that social needs continue to be met. The governance of existing counterparties is monitored through regular meetings and inspections. We consider how to optimise ESG performance across the portfolio - for example, upgrading the EPC ratings of existing properties through retrofit activities. We engage in sector-wide discussions about ESG performance and best

	We engage in sector wide discussions about ESG performance and best practices.
<b>Exit</b>	If properties are sold, we will disclose ESG improvements during the period of ownership and share information regarding our responsible investment approach.

When considering ESG within the investment process, a materiality approach is taken to ensure focus is given to those issues most likely to negatively impact or positively strengthen the homes we are investing in. These factors are under continual review as we recognise the non-static nature of ESG. Our approach is to track and improve behaviours across this range of factors using our ESG due diligence questionnaire and ESG metrics.

In 2023, we developed an updated ESG due diligence questionnaire which includes certain minimum standards for a project to be accepted. This refined due diligence process represents our commitment to improve the standards of all developments entering the portfolio. Further details on our new build sustainability expectations can be found below. The new due diligence requirements supplement existing minimum standards in place for retrofit projects.

The details below summarise the specific areas of ESG interrogation.

## Environment

When acquiring assets, we look closely at their environmental impact, and encourage a sustainable approach for new development. We also look to ensure the environmental impact is considered in relation to the maintenance and upgrading of existing properties; the retrofit project is designed to enhance the properties in the existing portfolio.

We require every property we acquire to have a minimum energy performance rating of at least a 'C' on an EPC for renovated properties and at least a 'B' on an EPC for new-build properties, notwithstanding the legal requirement for any privately rented properties to have a minimum energy performance rating of E on an EPC. Furthermore, due to ongoing uncertainty surrounding The Environment Act's Biodiversity Net Gain rules for infrastructure projects, the Group has proactively embraced the requirement ahead of its legislative implementation. The Group encourages all newly constructed developments to achieve a minimum Biodiversity Net Gain of 10%, emphasising a preference for on-site gains. This evaluation takes place during the due diligence stage, and assistance is offered, as needed, to ensure the target for biodiversity net gain is met.

Through our rigorous and evolving due diligence process, the high standards we expect from developers and significant investment in the Specialised Supported Housing sector, we have been able to provide capital and expertise that has enabled our counterparties to progress alongside us. We focus on offering residents resource-efficient and adapted living areas which help ensure our investments are fit-for-purpose and sustain their value over the long-term. As a landlord, we consider the opportunities we have to help reduce running costs for our lessees and occupiers and increase resident well-being.

## The Group's Commitment to Net Zero

The Group is committed to reducing carbon emissions across its property portfolio. Our climate change strategy is informed by scientific perspective, long-term protection of assets and regulatory requirements. We seek to contribute towards the transition to a low-carbon economy. In January 2024, the Board adopted the following near-term science aligned<sup>11</sup> net zero pathway for the Company:

### The Group commits to reduce its social housing portfolio emissions by 75% per m2 by 2035 from a baseline year of 2021.

The establishment of this target represents a significant milestone for the fund, demonstrating commitment to upholding our fiduciary duty through the long-term protection of assets and value creation. Our strategy places paramount importance on collaboration with all stakeholders, actively fostering engagement with Registered Providers, Care Providers, and Tenants. This collaborative approach is integral to ensuring concerted action and favourable outcomes for all involved parties.

Each year we will report emissions across the portfolio, in addition to reporting progress with regards to the carbon intensity of the portfolio per m2 and progress against this target.

This near-term target has been recently set, and the Board will hold the Investment Manager accountable for its implementation. Progress updates will be communicated through the Sustainability Committee. An external data provider is being utilised to enhance the quality of the energy and carbon data. The Investment Manager engages external carbon specialists to support their annual carbon footprint process and The Group's footprint will be incorporated within this. The goal itself was set as a result of a year-long project with The Carbon Trust to ensure it is science aligned. Further audit plans have not yet been opined on.

Further details on climate action are provided in the Company's TCFD disclosure. While not in scope of this requirement yet, the Company continues to produce a TCFD report ahead of FCA expectations to demonstrate its support for the disclosures.

The Fund seeks to demonstrate best practice in transparency and has included its second disclosure within this report. Further details are found in the Climate Risk analysis section, and the full report is set out in the Annual Report.

## Retrofit pilot project

The Property Asset Management team of the Investment Manager has devised an extensive retrofit pilot programme aimed at enhancing the energy efficiency of properties. The primary objectives include aligning with EPC regulation changes, reducing tenant costs, and minimising portfolio-wide emissions. Commencing in 2023, the retrofit pilot has successfully implemented upgrades in four out of the eleven designated properties. The current retrofit actions have focused on improving insulation (a fabric first approach) in addition to the installation of solar PV systems.

The pilot phase is strategically designed to gain a deeper understanding of the practicalities associated with retrofitting Specialised Supported Housing. The execution of these works requires careful and considerate planning, especially with regard to the impact on residents whilst works are carried out, and the ease of functionality for all technology that is used, including heating controls and ventilation systems.

The pilot phase targets completion by end of FY24.

## Enhanced Sustainability Due Diligence for New Builds

In 2023, the Group introduced an extensive sustainability due diligence process for all newly constructed properties, leveraging internationally recognised frameworks to underpin its development initiatives<sup>12</sup>. The implementation of these expectations demonstrates our commitment to upholding elevated environmental and social standards for all new properties entering the portfolio.

The new framework places particular emphasis on key areas of development, including location and transport, construction practices, environment, workforce well-being, supply chain integrity, and governance. With the rollout of the enhanced due diligence process, we have actively collaborated with prospective developers, providing support to refine their plans and surpass the established standards.

For further details, refer to the Chorley case study in the Investment Manager's report.

## Social and Social Impact

Our properties aim to provide multiple benefits to local communities. We want to provide residents with safe and secure accommodation, which meet their individual care needs. We work with Approved Provider lessees to enable them to grow

accommodation, which meet their individual care needs. We work with Approved Provider lessees to enable them to grow the portfolio of properties they are responsible for managing, allowing them to expand the number of individuals they support whilst providing employment for local carers, housing managers and builders. While development and refurbishment can cause some minor short-term disruption to an area, these activities help create employment and, at the same time, help alleviate the UK's housing crisis.

The Company is committed to elevating resident satisfaction and well-being across our properties where feasible and practical. On behalf of the Company, the Investment Manager seeks out initiatives aimed at enhancing outcomes for residents, as exemplified in the Hazelbank Garden case study provided in the Sustainability Report within the Annual Report. Although replicating the investment seen at Hazelbank will be uncommon and is not achievable for every property, there was a favourable opportunity to enhance the garden space and enrich the overall resident experience which was identified and executed. We continue to seek such opportunities and investment will be reviewed on a case-by-case basis.

Recognising the pivotal link between the built environment and resident well-being, any further such investment will prioritise the creation of living spaces that positively impact physical and mental health.

#### **Governance**

The Group looks to encourage best practice governance among all counterparties in order to minimise operational risks and encourage them to continually assess how they can contribute more to employees, residents, wider society, and the environment, through compliance with legislation and regulations, and the adoption and implementation of issue-specific policies. Details on the Group's corporate governance practices are set out in the Annual Report.

#### **Climate risk analysis**

Climate-related risks and appropriate mitigation is a growing area of focus for the Group. The team is seeking to roll out comprehensive climate analysis initiatives to support risk mitigation and forward planning. This will encompass both existing portfolio properties as well as becoming incorporated into the selection process for new properties.

The Group considers the climate change strategy of its portfolio including a review of its climate risks and opportunities. The fund reports disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). These are designed to provide a framework to take account of climate-related risks and opportunities and ensure that corporate reporting is consistent and comparable.

The Group is pleased to report its progress to date in line with the eleven disclosures set out in the TCFD recommendations.

Please refer to the Annual Report for the Group's full TCFD disclosure.

#### **Wider Governance and sustainable business behaviours of the Group and Investment Manager**

##### **B Corporation<sup>13</sup>**

As a B Corporation, the Investment Manager is committed to meeting high standards of verified performance, accountability, and transparency on factors from employee benefits and charitable giving to supply chain practices and input materials. The Investment Manager published their first sustainability report in 2023<sup>14</sup>, fulfilling the B Corp reporting requirements.

##### **Business Relationships**

The Group has a set of corporate providers that ensure the smooth running of the Group's activities. The Group's key service providers are listed in the Annual Report, and the Management Engagement Committee annually reviews the effectiveness and performance of these service providers, taking into account any feedback received. The Group also benefits from the commitment and flexibility of its corporate lenders for its debt facilities. Each of these relationships is important to the long-term success of the business. The Group and the Investment Manager maintain high standards of business conduct by acting in a collaborative and responsible manner with all its business partners that protects the reputation of the Group as a whole.

##### **Employees**

The Group has no employees and accordingly no requirement to separately report on this area.

The Investment Manager is an equal opportunities employer who respects and seeks to empower each individual and the diverse cultures, perspectives, skills and experiences within its workforce. The Investment Manager places great importance on company culture and the wellbeing of its employees and considers various initiatives and events to ensure a positive working environment.

##### **Health and Safety**

The Group is committed to fostering the highest standards in health and safety. Day-to-day responsibility for health and safety in our properties is shared by the Approved Providers and care providers who manage the housing and provide care. Our Investment Manager requests confirmation from Approved Providers that all properties remain compliant and visits properties, following an agreed visiting schedule, to verify this. Every quarter the Board is provided with updates on the health and safety of our residents.

##### **Diversity**

We are an externally managed business and do not have any employees or office space. As such the Group does not operate a diversity policy with regards to any administrative, management and supervisory functions. A description of the Board's policy on diversity can be found in the Annual Report.

##### **Human Rights**

The Group is within the scope of the Modern Slavery Act 2015 and is therefore obliged to make a slavery and human trafficking statement. The Modern Slavery Act statement can be found on the Group's website<sup>15</sup>.

The Board are satisfied that, to the best of their knowledge, the Company's principal advisers, which are listed in the Shareholder Information section in the Annual Report comply with the provisions of the UK Modern Slavery Act 2015.

The Investment Manager takes the risk of Modern Slavery extremely seriously. The Investment Manager's responsibilities as both an employer and investor are laid out in the public Modern Slavery Act Statement.

##### **Notes:**

1 <https://www.triplepointreit.com/sustainability-and-impact/150/>

2 During FY23, 42 individual units with EPC ratings left the portfolio (due to the sale of four properties), the majority of which were rated either EPC B or C, while 5 were rated D and E. In the same period, nine properties received improved EPC ratings, moving from either E to C, D to B, D or C, while other EPCs were re-affirmed. Overall, there has been a very minor increase in the portfolio wide EPC A-C rating (70.87% to 71.04%).

3 The emission data is calculated using property gas and electricity consumption only, and therefore is not a complete Scope 3 figure. Property carbon emissions for 2023 use actual electricity and gas consumption for the portfolio. The 2023 annual report is the first reporting period using actual consumption data, compared to previous years estimates from the ECP register. It is the change in methodology that has led to the increase in reported emissions, and we commit to use a comparable methodology for emissions reporting moving forward. The 2023 emissions data incorporates over 90% of the

Group's electricity and gas meters, with work ongoing to match the remaining portfolio meters. Consumption is calculated using the latest meter reads collected by smart meters or provided by tenants, to create annual consumption values for electricity, and annual quantities for gas. This is the same data used for billing. The aggregate consumption values used in the calculation are the sum of all the annual values per meter. These values are submitted by the suppliers to Electralink and the Data Transfer Network for market settlement purposes. The location-based emissions use the standard 2023 DEFRA GHG emission factor for Co2e per kWh for all properties, while the market-based emission figure is calculated by multiplying the fuel mix disclosed by the individual supplier (for electricity only) with the consumption value, to calculate the overall footprint. The Group commits to continue to report actual property emission data using both methods and to improve the quality of data.

4 The Group have opted to report GHG emission intensity per square metre in 2023, rather than per property as used in the 2022 report. The Group's net zero target is set on an emission per square metre basis and the Group has committed to reporting this data on an annual basis to demonstrate progress towards the near-term target. Additional details of the near-term net zero target can be found within the Sustainability Report in the Annual Report. Our near-term net zero target was set using estimations, and therefore, following SBTi guidance, we have included the location-based emissions. We will continue to track market-based emissions and the individual suppliers and tariffs.

5 The variations between FY22-FY23 are caused by the disposal of 4 properties in addition to, as part of planned data

reviews, a few amendments made to properties for consistency across the portfolio.

6 Based on Resident Outcomes Surveys conducted for each year's Impact Report. For Dec 2022 this is based on a sample of 60 residents and for Dec 2023 this is based on a sample of 117 residents. Full methodology can be found in The Good Economy independent impact report.

7 <https://www.gov.uk/government/publications/people-at-the-heart-of-care-adult-social-care-reform-white-paper/people-at-the-heart-of-care-adult-social-care-reform>

8 Full details of our impact goals and outcomes can be found in The Good Economy independent impact report on the Group's website.

9 <https://thegoodconomy.co.uk/client-reports>

10 <https://www.triplepointreit.com/sustainability-and-impact/150/>

11 [Science-aligned pathways](#) are globally aligned goals, rooted in climate science, to reduce carbon emissions and limit the world's temperature in line with the Paris Agreement. The recommended target for SOHO follows a specific pathway for [Real Estate assets](#) using the required [Sectoral Decarbonisation Approach \(SDA\)](#). The SDA approach specifies how much and how quickly a company needs to reduce its GHG emissions in order to limit global warming to 1.5°C, as per the Paris

Agreement.

12 Frameworks used to guide development include: *Principles for Responsible Investment, BREAM, GRESB, OECD 3, CDP, S&P CSA, Future Homes standard, Building for Life standard, Code of Considerate Constructors, TCFD and TNFD.*

13 Certified B Corporations, or B Corps, are companies verified by B Lab to meet high standards of social and environmental performance, transparency, and accountability. Further information can be found: <https://bcorporation.uk/b-corp-certification/what-is-a-b-corp/>

14 <https://www.triplepoint.co.uk/approach-to-sustainability/116/>

15 <https://www.triplepointreit.com/sustainability-and-impact/150/>

## STAKEHOLDER ENGAGEMENT

This section describes how the Board engages with its key stakeholders, how it considers their interests and the outcome of the engagement when making its decisions, the likely consequences of any decision in the long-term, and further ensures that it maintains a reputation for high standards of business conduct. The Group is committed to continual stakeholder engagement and implements a cycle of constant engagement at all stages of the Group's investment lifecycle.

### Section 172(1) Statement

Stakeholder	Why is it important to engage?	How have the Investment Manager/Directors engaged?	What were the key topics of engagement?	What was the feedback obtained and the outcome of the engagement?
Shareholders	Investment from our shareholders plays an important role by providing capital to ensure we can deliver additional housing into the Specialised Supported Housing sector.  Through the investment of private capital into an under-funded sector, we can achieve a positive social impact whilst ensuring our shareholders receive a long-term inflation-linked return.	The way in which we engage with our shareholders is set out in our Governance Report.	Financial and operational performance.  Share price discount to NAV and potential rectification action.  The share price, share buybacks and the sale of a portfolio.  The regulatory environment of the Supported Housing sector.  Environmental, social and governance considerations.  The Company's key service	The Board and the Investment Manager considered and undertook a share buyback programme and a portfolio sale to address investor feedback regarding the Company's share price. An extension of the share buyback programme was also considered, as well as the impact that further share buybacks would have on the Company's liquidity.  The Board and Investment Manager consider shareholder concerns when speaking to the Regulator and agreed to keep shareholders updated of any developments. We understand the importance of, and are committed to, working with Registered Providers to address the concerns of the Regulator. Refer to the Market review in the Investment Manager's Report.  The Investment Manager has enhanced environmental, social and governance

			<p>provider appointments, including the AIFM and broker arrangements.</p> <p>Understanding the underlying concerns of shareholders that resulted in 17.48% and 22.62% votes against resolutions 3 and 13 respectively, at the Company's 2023 Annual General Meeting.</p>	<p>considerations within its investment process, and within its own business. Refer to Investment Manager's Report, and the Sustainability Report in the Annual Report.</p> <p>The Board and Manager consulted with a number of the Company's shareholders in accordance with Provision 5.2.4 AIC Code of Corporate Governance, following which it was acknowledged that active consideration is required regarding alleviation of the persistent discount to EPRA NTA.</p>
Residents	<p>Our strategy is centred on providing Specialised Supported Housing for our residents. We remain focused on providing homes to our residents which offer them greater independence than institutional accommodation, as well as meeting their specialist care needs.</p>	<p>The Investment Manager monitors resident welfare through engagement with Approved Providers. The Investment Manager receives quarterly reports from Approved Providers to ensure compliance with health and safety standards. We do not generally engage with residents directly. Instead, day-to-day engagement is done by care providers and, to a lesser extent, Approved Providers.</p>	<p>We provide oversight of resident welfare by undertaking due diligence on properties before residents move in. We then monitor compliance with health and safety standards to best ensure that residents are looked after by the Group's counterparties; we request updates on any health and safety issues every quarter.</p>	<p>Resident issues raised as a result of engagement through care providers were addressed.</p> <p>Any compliance issues are remedied with any associated works undertaken.</p> <p>The Group's investment decisions are informed by the long-term needs of our residents.</p>
Investment Manager	<p>The Investment Manager is responsible for executing the Investment Objective within the Investment Policy of the Company.</p>	<p>The Board maintains regular and open dialogue with the Investment Manager at Board meetings and has regular contact on operational and investment matters outside of meetings.</p>	<p>In addition to all matters related to the execution of the Company's Investment Objective, the Board engaged with the Investment Manager on developments in the market and updates from the Regulator.</p>	<p>As a result of the engagement between the Board and the Investment Manager the Group has been able to execute its investment strategy and has considered what adjustments can be made to the Group's model that will uphold financial and governance standards while attracting further private investment.</p> <p>Additionally, the Investment Manager produces reports to the Board every quarter on various governance and operational matters at the Board's request. Capital allocation is also considered with regard to the views of the Board.</p>
Approved Providers	<p>Our relationship with Approved Providers is integral to ensuring rent is paid to the Group and that properties are managed appropriately.</p> <p>The Group's leases with Approved Providers are fully repairing and insuring - meaning that Approved Providers are responsible for management, repair and maintenance, in addition to tenanting the properties.</p>	<p>The Investment Manager looks to maintain good relationships with Approved Providers, having formal meetings with senior management at least every six months as well as engaging more frequently on an ad hoc basis on a variety of matters. Quarterly operational surveys and biannual compliance surveys are provided to the Investment Manager.</p>	<p>The Investment Manager discussed a number of topics with Approved Providers including that properties are managed in accordance with their leases; financial reporting and governance; and specific property-related issues such as occupancy, health and safety issues, rent levels, management accounts and governance.</p>	<p>Refer to the Investment Manager's Report.</p>
Care Providers	<p>Our residents receive care from care providers. It is</p>	<p>The Investment Manager engages with care providers as part of its</p>	<p>The Investment Manager engages with care</p>	<p>The Investment Manager rejected deals where care providers did not meet the care</p>

	<p>important to ensure that our vulnerable residents receive the best possible care. In addition, the care providers share the cost of voids with Approved Providers so we engage with care providers to ensure our Approved Providers are able to pay our rent in the event of empty units.</p> <p>Therefore, care providers play an essential role in the occupancy levels of our properties and strong engagement with the Group ensures the best possible care for our residents.</p>	<p>due diligence process and regularly meets and engages with our provider representatives when inspecting the Group's portfolio, when reviewing quarterly data and on an ad hoc basis.</p>	<p>providers on: the specific care and support requirements of residents including health and safety compliance (refer to Investment Manager's Report) property management by Approved Providers; financial and operational capacity for new schemes; occupancy levels; and financial performance.</p>	<p>or governance standards expected or where care providers were unable to demonstrate the financial strength to meet their obligations under a service level agreement.</p> <p>Following engagement, the scope of works was agreed with care providers to produce properties that meet the specific care needs of residents.</p> <p>Whilst done at the relevant local authorities' discretion, care providers have been changed where expectations around the standard of care were not met or where engagement identified care providers in financial difficulties.</p>
Local authorities	<p>Local authorities are responsible for identifying appropriate housing and care for the individuals who live in the Group's properties.</p> <p>New acquisitions are assessed to ensure that they meet the expectations of the relevant Local Authority in order to ensure that referrals are made as efficiently and safely as possible.</p>	<p>When looking at a new acquisition, the Investment Manager engages with, or receives feedback from, various departments within local authorities including Commissioners and Housing Benefit officers. The Investment Manager will look to engage with a local authority in relation to an existing scheme if required (for example, if a new care provider is needed).</p>	<p>The aim of the engagement is, as much as possible, to ensure that the properties acquired by the Group are consistent with the requirements of the relevant local authority.</p> <p>Where necessary, local authorities will be engaged directly post acquisition of a property to access ongoing demand levels and any changes in commissioning strategy.</p>	<p>The Investment Manager will listen to feedback from local authorities and, where possible, will work with Approved Providers to improve and upgrade properties to ensure that they meet ongoing commissioning requirements.</p> <p>An initial pilot programme to implement energy efficiency upgrades across 11 initial properties is ongoing. Refer to the Investment Manager's Report for more detail.</p>
The Regulator	<p>The Regulator regulates Registered Providers of social housing to ensure providers are financially viable and properly governed. It is important to ensure that, as much as possible, the Group reflects observations made by the Regulator in its investment structures and its engagement with its Registered Provider lessees.</p>	<p>The Investment Manager is in contact with the Regulator in order to understand the key concerns and priorities of the Regulator in the Specialised Supported Housing Sector.</p>	<p>Discussions with the Regulator are focused on ensuring the market evolves in line with its observations, and Registered Providers can best focus on addressing the Regulator's observations.</p>	<p>The Investment Manager continues to work with the Boards of its Registered Provider lessees to understand how best we can help them meet the standards of the Regulator. Refer to the Investment Manager's Report for more detail.</p>
Lenders	<p>The Group's investments in social housing assets are partly funded by debt. Prudent debt financing is required to achieve the Group's return targets.</p> <p>All of our debt is long-term and so it is important for the Group and the Investment Manager to form a good relationship with our debt provider partners and provide them with all</p>	<p>The Investment Manager engages with its lenders mainly via the reporting of financial and information covenants under the existing loan agreements on a quarterly basis.</p> <p>In addition, there are regular ad-hoc engagements in relation to general topics relating to the social housing sector as well as specific topics arising from the financial and operational performance of the Group's activities and</p>	<p>The Group engaged on the following topics: financial and information covenant reporting and; active asset management activities undertaken by the Group e.g. any other asset management activity that requires lenders' consent.</p>	<p>The Group is fully compliant with its debt covenants.</p> <p>The Investment Manager's proactive engagement with the Group's lenders is welcomed by its lenders and to date no concerns in relation to the performance of its loans have been raised by the lenders.</p> <p>The Board continues to monitor compliance with debt covenants and keeps liquidity under constant review to make certain the Group has sufficient headroom in its debt facilities.</p> <p>In August 2023, Fitch Ratings</p>

	information and commentary required.	Group's business and future opportunities, and any other general matters affecting the relationship between the Group and the lenders.		In August 2023, Fitch Ratings reaffirmed the Group's existing Investment Grade, long-term Issuer Default Rating (IDR) of 'A-' with a stable outlook and a senior secured rating of 'A' for the Group's existing loan notes.
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## Principal Decisions

Principal decisions have been defined as those that have a material impact on the Group and its key stakeholders. In taking these decisions, the Directors considered their duties under section 172 of the Act.

### Commencement of a share buyback programme of £5 million

During the year, the Board made the decision to undertake a share buyback programme of £5 million, managed by Stifel. The Company bought back 9,322,512 ordinary shares between 19 April 2023 and 12 June 2023, at an average purchase price of 52.61 pence per share. Further detail can be found in the Directors' Report in the Annual Report. The Board believed that the share buyback programme was accretive to NAV and would benefit dividend cover, and was deemed to be made in the best interests of the Company's shareholders.

### Portfolio Sale

The Board decided to market and sell a portfolio of properties, subject to market conditions and pricing. The decision resulted in the sale of four Specialised Supported Housing properties for an aggregate consideration of £7,586,600 to a private UK real estate investment firm, reflecting a gain of 9.6% against the aggregate purchase price (excluding transaction costs).

The Board believed that the decision was in the best interests of the shareholders, Approved Providers, Care Providers and the Specialised Supported Housing sector, as the sale demonstrated continued liquidity and the resilience of valuations in the sector. The sale comprised of properties located across four Local Authorities and a range of property types, lessees and Care Providers.

### Dividend target to remain flat

During the year, the Board decided to keep the target dividend flat.

The Board believed that the decision was in the best interests of the Company's shareholders, in order to preserve dividend cover for the current financial year, whilst the Investment Manager focused on addressing the significant rental arrears of two of its Approved Providers. Further detail can be found in the Investment Manager's Report.

### Change of Directors

During the year, the Company undertook a formal recruitment process led by the Nomination Committee, with the support of an independent search consultancy, for the appointment of a new Board member. This process actively encouraged a diverse pool of candidates who could contribute specific skills and experience identified by the Board and would support the Board's commitment to diversity, in line with the FCA's targets under the Listing Rules. The Board were pleased to announce the appointment of Cecily Davis as an Independent Non-Executive Director with effect from 23 May 2023.

During the financial year, Paul Oliver stepped down from his role as an Independent Non-Executive Director with effect from 30 June 2023.

### Committee Changes

The Board decided to change the membership and structure of the Board's Committees, as announced on 24 May 2023. The key changes included implementing smaller Committees to ensure better management of the Board's duties, as well as the establishment of a Sustainability & Impact Committee to ensure there is appropriate oversight and focus on the Group's ESG strategy. Further information of the Sustainability & Impact Committee in the Annual Report.

## RISK MANAGEMENT

The Board recognises that effective risk management is key to the Group's success and that a proactive approach is critical to ensuring the sustainable growth and resilience of the Group.

In the Group's 2023 Interim Report, we noted that principal risks and uncertainties remained unchanged during the period.

By way of background, the Group focuses on a single sub-sector of the UK real estate market with the aim of delivering an attractive, growing and secure income for shareholders. The Company has a specific investment policy, as outlined in the Investment Policy section, which is adhered to and for which the Board has overall responsibility. The Group does not undertake speculative development. Furthermore, the Group looks to work with experienced lessees and has assembled a granular portfolio with a relatively high WAULT.

As an externally managed investment company, the Company outsources key services to the Investment Manager and other service providers and relies on their systems and controls. The Board undertakes a formal risk review, with the assistance of the audit committee, twice a year to assess and challenge the effectiveness of the Company's risk management and internal control systems. The Board regularly reviews the control reports of the key service providers and the external auditors note any deficiencies in internal controls and processes that have been identified during the course of the audit. A description of the key internal controls of the Group can be found in the Annual Report.

The Investment Manager has responsibility for identifying potential risks at an early stage, escalating risks or changes to risk, and relevant considerations and implementing appropriate mitigations which are recorded in the Group's risk register. Where relevant the financial model is stress tested to assess the potential impact of certain risks against the likelihood of occurrence. The Board regularly reviews the risk register to ensure gradings and mitigating actions remain appropriate.

The Group's risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant and emerging risks the Group faces and continues to evolve to reflect changes in the Group's business and operating environment. The process can therefore only provide reasonable, and not absolute, assurance. It does however ensure a defined approach to decision making that decreases uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

During the year, the Board has not identified or been advised of any failings or weaknesses in the Group's risk management and internal control systems.

Going forward, the Board has reviewed and approved some enhancements to the current risk management framework, which will become effective from April 2024. These enhancements will underpin the approach to the identification and categorisation of risks, together with changes to the assessment approach - being more reflective of the individual nature of the risks being considered. These enhancements will enable the Board to view the risks through the lens of Strategic



risks, Financial risks (Investment, Capital & Liquidity) and Non-Financial risks (Operational, Legal & Regulatory). In turn, the Board will be setting appropriate risk appetites for its most material risks.

#### Principal Risks and Uncertainties

The table below sets out what we, the Board, believe to be the principal risks and uncertainties facing the Group. The table does not cover all of the risks that the Group may face. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this report may also have an adverse effect on the Group.

Risk Category	Risk Description	Risk Impact	Risk Mitigation	Potential Impact	Likelihood	Change in Year
<b>Property</b>	Default of one or more Approved Provider lessees	<p>The default of one or more of the Group's lessees could impact the rental income received from the relevant assets. If the lessee cannot remedy the default, the Group may have to terminate, re-assign or re-negotiate the relevant lease. This could lead to a sustained reduction in rental income.</p> <p>Additionally, where a care provider does not renew the service level agreement with a lessee, this may result in a lessee having to cover rental payment on void units without receiving the corresponding housing benefit payment from the care provider.</p>	<p>Under the terms of the Company's investment policy and restrictions, no more than 30% of the Group's Gross Asset Value may be exposed to one lessee. This restriction is in place to mitigate against the risk of significant rent loss in the event of an Approved Provider default.</p> <p>When a lessee defaults or when the Group believes it likely that a lessee would default, the Group could look to move the affected properties to another Approved Provider with whom the Group has a good relationship. The intention would be to ensure both the ongoing provision of housing to the residents, and, as much as possible, the preservation of the income stream associated with the relevant properties.</p>	Moderate	Moderate to High	Stable
<b>Regulatory</b>	Risk of an Approved Provider being deemed non-compliant with the Governance and Viability Standard by the Regulator	<p>Should an Approved Provider with which the Group has one or more leases in place be deemed non-compliant by the Regulator, in particular in relation to viability, depending on the further actions of the Regulator, it is possible that there may be a negative impact on the market value of the relevant properties which are the subject of such lease(s). Depending on the exposure of the Group to such Approved Provider, this in turn may have a material adverse effect on the Group's Net Asset Value unless the matter is resolved through an improvement in the relevant Approved Provider's rating or the transfer of leases to an alternative Approved</p>	<p>The Investment Manager has established relationships with the Approved Providers with whom it works. The Approved Providers keep the Investment Manager informed of developments surrounding regulatory notices.</p> <p>As at 31 December 2023, the Group has assembled a diversified portfolio with leases to 27 Approved Providers. The Group has leases in place with 10 Registered Providers that have been deemed non-compliant by the Regulator.</p> <p>Where Registered Providers have been deemed non-compliant the Group has looked to work with them in order to help address the issues identified by the Regulator. The Group's commitment to this approach can be seen through the Group's proposed new lease clause described in both the Chair's Statement and the</p>	Moderate	Moderate to High	Stable

Risk Category	Risk Description	Provider. Risk Impact	Investment Manager's Report Risk Mitigation	Potential Impact	Likelihood	Change in Year
<b>Regulatory</b>	Risk of changes to the social housing regulatory regime and changes to government policy in relation to social housing and housing benefit.	Future governments may take a different approach to the social housing regulatory regime, resulting in significant changes to the law and other regulation or practices of the Government with regard to social housing.	<p>It is important that the Group works with the Group's Approved Provider lessees to help ensure that they respond proactively to any changes in regulation or policy and the Group understands what, if any, impact it will have on their organisation and the properties that the Group leases to them.</p> <p>As demand for social housing remains high relative to supply, the Board and the Investment Manager are confident there will continue to be a viable market within which to operate and a need for private investment to deliver more homes.</p> <p>In addition, the social housing regulatory regime in which most of the Group's lessees operate provides a high degree of accountability and transparency.</p>	Moderate	Low to Moderate	Decreased
<b>Financial Risk</b>	Non-payment of voids cover by care providers	If a care provider gets into financial difficulty and is unable to pay contracted voids cover to an Approved Provider, this could have a negative impact on the financial performance of the Approved Provider which ultimately could impact its ability to pay the Group its rent. This risk is compounded if there is low occupancy in a property.	<p>The Investment Manager closely monitors the performance of the care providers to ensure, so far as reasonably possible, that they are financially viable and performing well. Should a care provider get into financial difficulty, the Group works with a wide range of alternative care providers who could step in to provide care services and therefore cover the voids payment.</p> <p>Occupancy is also closely monitored and the Investment Manager works with Approved Providers and care providers to optimise occupancy.</p>	Moderate	Moderate	Stable
<b>Financial</b>	Property valuations may be subject to change over time	<p>Property valuations are inherently subjective and uncertain. Market conditions, which may impact the creditworthiness of lessees, may adversely affect valuations. This is particularly relevant at the moment given rising interest rates and the resultant negative impact on property valuations.</p> <p>The portfolio is valued on a</p>	All of the Group's property assets are independently valued quarterly by Jones Lang LaSalle, a specialist property valuation firm, who are provided with regular updates on portfolio activity by the Investment Manager. The Investment Manager and Audit Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes. Default risk of lessees is mitigated in accordance with the lessee default principal risk	Moderate	Moderate	Stable

Risk Category	Risk Description	Market Value based Risk Impact takes into account the expected rental income to be received under the leases in the future. This valuation methodology provides a significantly higher valuation than the Vacant Possession value of a property. In the event of an unremedied default of an Approved Provider lessee, the value of those assets in the portfolio may be negatively affected.  Any changes could affect the Group's net asset value and the share price of the Group.	explanation provided above Risk Mitigation protect against loss in value, the Investment Manager's property management team seeks routinely to visit each property in the portfolio, and works closely with the Group's lessees to ensure, to the extent reasonably possible, their ongoing financial strength viability, and that governance procedures remain robust through the duration of the relevant lease.	Potential Impact	Likelihood	Change in Year
Property	Risk of poor or inadequate housing management (including compliance) or poor provision of care services by the Group's Approved Providers lessees and care providers respectively.	Approved Providers and care providers face a number of operational challenges (e.g. rising costs and labour shortages) which have heightened the risk of poor or inadequate housing management or poor care being provided in relation to the Group's properties.  Poor services being provided to the individuals in the Group's properties could undermine the benefits of Specialised Supported Housing and cause reputational damage to the Group which could negatively impact the Group's performance and/or the price of the Company's shares.	The Investment Manager undertakes strategic property inspections in order to review the physical condition of the Group's properties as well as the quality of services being provided to the Group's residents. In addition, there is frequent engagement with the Group's Approved Providers and care providers as well as quarterly operational and compliance surveys which provide data on the performance of the Group's properties.	Moderate	Moderate	Stable
Financial Risk	Higher than projected levels of inflation may impact Approved Providers' ability to pay rent due under the Group's leases.	Most of the Group's leases contain upward only rent reviews, generally linked to inflation (typically CPI), with the majority being uncapped.  Annual rental uplifts have been, and will continue to be, higher than projected as a result of	Having temporarily capped annual rent increases at 7% in 2023, the Group is currently in the process of rolling out a new risk sharing clause that will link rent increase in its leases with Registered Providers to the lower of CPI or prevailing government policy in relation to Specialised Supported Housing rent increases. This	Moderate	Moderate	Stable

Risk Category	Risk Description	Increased Inflation Risk Impact	should mitigate the risk of the Group's lessees having to accommodate rent increases that they are not able to fully recoup through housing benefit. Risk Mitigation	Potential Impact	Likelihood	Change in Year
Climate Risk	The potential impact of climate change on the valuation of the Group's properties	Changing weather patterns under projected climate change scenarios could physically damage the Group's properties and reduce their value. New minimum efficiency standards could require retrofitting of efficiency measures, or result in a reduction in valuations. The impact of the most prominent climate-related risks to the portfolio is assessed in detail in the Group's TCFD reporting in the Annual Report.	The Investment Manager's sustainability team has been working with the housing team to assess the risk that climate change poses to the Group's properties. The key transition risks to the portfolio have been identified and qualitatively assessed. Physical risks to the portfolio have been assessed using a new piece of analytical software and the outputs of this analysis are demonstrated in the Group's TCFD reporting in the Annual Report. The Investment Manager will work to ensure protections are put in place for any properties that are deemed to be at high risk to the negative impact of climate change. The Group believes that the Group's reporting on climate change is ahead of regulatory requirements.	Moderate	Low to Moderate	Stable
Financial	Unable to operate within debt covenants	The borrowings the Group currently has and which the Group uses in the future may contain loan to value and interest covenants ratios. If property valuations and rental income significantly decrease, such covenants could be breached. The impact of such an event could include (among other things): an increase in borrowing costs; a requirement for additional cash or property collateral; payment of a fee to the lender; a sale of an asset or assets, or a forfeit of an asset or any assets to a lender.  Any of the above could result in a material decrease to the Group's Net Asset Value.	The Investment Manager monitors loan to value and interest covenants ratios on an ongoing basis. In the unlikely event that an event of default occurs under these covenants the Group has a remedy period during which it can potentially cure the covenant breach by either injecting cash collateral or unencumbered property assets in order to restore covenant compliance.  During the year ended 31 December 2023, no debt covenants have been breached.	High	Low	Stable
Corporate	Reliance on the Investment Manager	The Company continues to rely on the Investment Manager's services and its reputation in the social housing	Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 12 months' written notice.	High	Low	Stable

Risk Category	Risk Description	Risk Impact	Risk Mitigation	Potential Impact	Likelihood	Change in Year
		market. As a result, the Group's performance will, to a large extent, depend on the Investment Manager's asset management abilities in the property market. Termination of the Investment Management Agreement would severely affect the Investment Manager's ability to effectively manage the Group's operations and may have a negative impact on the Group's performance and/or the price of the Company's shares.	The Board regularly reviews and monitors the Investment Manager's performance. In addition, the Board meets regularly with the Investment Manager to ensure that the Company and the Investment Manager maintain a positive working relationship.			

## GOING CONCERN AND VIABILITY

### Going Concern

The Strategic Report and financial statements have set out the current financial position of the Group and Parent Company. The Board has regularly reviewed the position of the Company and its ability to continue as a going concern in Board meetings throughout the year. The Group has targeted high-quality properties in line with yield expectations and will continue to analyse investment opportunities to ensure that they are the right fit for the Group.

The Group benefits from a secure income stream from long leases which are not overly reliant on any one tenant and present a well-diversified risk. The Directors have reviewed the Group's forecast which shows the expected annualised rental income exceeds the expected operating costs of the Group. 90% of rental income due and payable for the period ended 31 December 2023 has been collected, rent arrears are predominantly attributable to two Approved Providers, My Space Housing Solutions and Parasol Homes.

The Directors believe that the Group is still well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due. During the year, Fitch Ratings Limited assigned the Company an investment Long-Term Issuer Default Rating of 'A-' with a stable outlook.

The Directors have performed an assessment of the ability of the Group to continue as a going concern, for a period of at least 12 months from the date of signing these financial statements. The Directors have considered the expected obligations of the Group for the next 12 months and are confident that all will be met.

The Directors have also considered the financing provided to the Group. Norland Estates Limited and TP REIT Propco 2 Limited have bank facilities with MetLife and MetLife and Barings respectively.

The loans secured by Norland Estates Limited and TP REIT Propco 2 Limited are subject to asset cover ratio covenants and interest cover ratio covenants which can be found in the table below. The Directors have also considered reverse stress testing and the circumstances that would lead to a covenant breach. Given the level of headroom, the Directors are of the view that the risk of scenarios materialising that would lead to a breach of the covenants is remote.

	Norland Estates Limited	TP REIT Propco 2 Limited
<b>Asset Cover (ACR)</b>		
Asset Cover Ratio Covenant	x2.00	x1.67
Asset Cover Ratio 31 December 2023	x2.81	x2.01
Blended Net initial yield	5.75%	5.86%
Headroom (yield movement)	214bps	112bps
<b>Interest Cover (ICR)</b>		
Interest Cover Ratio Covenant	1.75x	1.75x
Interest Cover Ratio 31 December 2023	4.63x	4.26x
Headroom (rental income movement)	62%	53%

Under the downside model the forecasts have been stressed to show the effect of some Care Providers ceasing to pay their voids liability, and as a result this causes Approved Providers to default under some of the Group leases. Under the downside model the Group will be able to settle its liabilities for a period of at least 12 months from the date of signing these financial statements. As a result of the above, the Directors are of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

The Group has no short or medium term refinancing risk given the 9.6 year average maturity of its long term debt facilities with MetLife and Barings, the first of which expires in June 2028, and which are fully fixed at an all-in weighted average rate of 2.74%.

Based on the forecasts prepared and the intentions of the parent company, the Directors consider that the Group will be able to settle its liabilities for a period of at least 12 months from the date of signing these financial statements and therefore has prepared these financial statements on the going concern basis.

### Viability Statement

In accordance with Principle 21 of the AIC Code, the Board has assessed the prospects of the Group over a period longer than 12 months required by the relevant 'Going Concern' provisions. The Board has considered the nature of the Group's assets and liabilities, and associated cash flows, and has determined that five years, up to 31 December 2028, is the

maximum timescale over which the performance of the Group can be forecast with a material degree of accuracy and therefore is the appropriate period over which to consider the viability.

In determining this timescale, the Board has considered the following:

- That the business model of the Group assumes the future growth in its investment portfolio through the acquisition of Supported Housing assets which are intended to be held for the duration of the viability period.
- The length of the service level agreements between Approved Providers and care providers.
- The future growth of its investment portfolio of properties is achieved through long-term, inflation linked, fully repairing and insuring leases.
- The Group's property portfolio has a WAULT of 24.3 years to expiry, representing a secure income stream for the period under consideration.
- The Group's Loan Notes have a weighted average term of 9.6 years.

In assessing the Company's viability, the Board has carried out a robust assessment of the emerging risks and principal risks facing the Group, including those that would threaten its business model, future performance, solvency, liquidity and dividend cover for a five-year period.

The Directors' assessment has been made with reference to the principal risks and uncertainties and emerging risks summarised above and how they could impact the prospects of the Group and Company both individually and in aggregate. The following risks in particular have been addressed in the assessment:

1. Default of one or more Approved Provider lessees (taking into account that two of the Group's lessees have built up arrears during 2022 and 2023)
2. Risk of changes to the social housing regulatory regime
3. Non-payment of voids cover by care providers.

The business model was subject to a sensitivity analysis, which involved flexing a number of key assumptions underlying the forecasts. The sensitivities performed were designed to provide the Directors with an understanding of the Group's performance in the event of a severe but plausible downturn scenario, taking full account of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks outlined below:

- **Rental income:** It is assumed that some care providers do not meet their void payment obligations, and this causes Approved Providers to default under some of the Group's leases; and rental receipts from one Approved Provider that has built up arrears are lower than expected.
- **Property valuations:** It is assumed that where there are void units Approved Providers will default on their leases, and those units will be valued significantly below their vacant possession value. We believe this represents a severe reduction in value.
- **Inflation:** No inflation uplift on rental income but costs increase in line with inflation.

The outcome in the downturn scenario on the Group's covenant testing is that there are no breaches, and the Group can maintain a covenant headroom on existing facilities.

In the downturn scenario mitigating actions to reduce variable costs would be required to enable the Group to meet its future liabilities.

The remaining principal risks and uncertainties, whilst having an impact on the Group's business, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the five-year period.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due for the next five years.

#### BOARD APPROVAL OF THE STRATEGIC REPORT

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

**Chris Phillips**  
Chair  
7 March 2024

#### GROUP FINANCIAL STATEMENTS

#### GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£'000	£'000
<b>Income</b>			
Rental income	5	39,839	37,300
Expected credit loss	5	(4,593)	(2,073)
Other income		-	110
<b>Total income</b>		<b>35,246</b>	<b>35,337</b>
<b>Expenses</b>			
Directors' remuneration	6	(312)	(308)
General and administrative expenses	9	(3,245)	(2,854)
Management fees	8	(4,651)	(4,704)
<b>Total expenses</b>		<b>(8,208)</b>	<b>(7,866)</b>
Gain from fair value adjustment on investment properties	14	15,477	8,264
<b>Operating profit</b>		<b>42,515</b>	<b>35,735</b>

Finance income	11	52	56
Finance costs	12	(7,578)	(10,889)
<b>Profit for the year before tax</b>		<b>34,989</b>	<b>24,902</b>
Taxation	13	-	-
<b>Profit and total comprehensive income for the year</b>		<b>34,989</b>	<b>24,902</b>
<b>IFRS earnings per share - basic and diluted</b>	36	<b>8.81p</b>	<b>6.18p</b>

The accompanying notes form an integral part of these Group Financial Statements.

## GROUP STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

		31 December 2023	31 December 2022
	Note	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	14	675,497	667,713
Trade and other receivables	15	4,233	2,889
<b>Total non-current assets</b>		<b>679,730</b>	<b>670,602</b>
<b>Current assets</b>			
Trade and other receivables	16	3,864	4,272
Cash, cash equivalents and restricted cash	17	29,452	30,139
<b>Total current assets</b>		<b>33,316</b>	<b>34,411</b>
<b>Total assets</b>		<b>713,046</b>	<b>705,013</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,722	3,120
<b>Total current liabilities</b>		<b>2,722</b>	<b>3,120</b>
<b>Non-current liabilities</b>			
Other payables	19	1,524	1,520
Bank and other borrowings	20	261,183	261,088
<b>Total non-current liabilities</b>		<b>262,707</b>	<b>262,608</b>
<b>Total liabilities</b>		<b>265,429</b>	<b>265,728</b>
<b>Total net assets</b>		<b>447,617</b>	<b>439,285</b>
<b>Equity</b>			
Share capital	22	3,940	4,033
Share premium reserve	23	203,753	203,753
Treasury shares reserve	24	(378)	(378)
Capital redemption reserve	25	93	-
Capital reduction reserve	25	155,359	160,394
Retained earnings	26	84,850	71,483
<b>Total equity</b>		<b>447,617</b>	<b>439,285</b>
<b>IFRS net asset value per share - basic and diluted</b>	37	<b>113.76p</b>	<b>109.06p</b>

The Group Financial Statements were approved and authorised for issue by the Board on 7 March 2024 and signed on its behalf by:

**Chris Phillips**

Chair

7 March 2024

The accompanying notes form an integral part of these Group Financial Statements.

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Year ended 31 December 2023	Note	Share capital £'000	Share premium reserve £'000	Treasury shares reserve £'000	Capital redemption reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023		4,033	203,753	(378)	-	160,394	71,483	439,285
Profit and total comprehensive income for the year		-	-	-	-	-	34,989	34,989
Transactions with owners								
Dividends paid	27	-	-	-	-	-	(21,622)	(21,622)
Shares repurchased	25	(93)	-	-	93	(5,035)	-	(5,035)
Balance at 31 December 2023		3,940	203,753	(378)	93	155,359	84,850	447,617

Year ended 31 December 2022	Note	Share capital £'000	Share premium reserve £'000	Treasury shares reserve £'000	Capital redemption reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		4,033	203,753	(378)	-	160,394	68,311	436,113
Profit and total comprehensive income for the year		-	-	-	-	-	24,902	24,902
Transactions with owners								
Dividends paid	27	-	-	-	-	-	(21,730)	(21,730)
Balance at 31 December 2022		4,033	203,753	(378)	-	160,394	71,483	439,285

The accompanying notes form an integral part of these Group Financial Statements.

## GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>Cash flows from operating activities</b>		
Profit before income tax	34,989	24,902
Adjustments for:		
Expected credit loss	4,593	2,073
Gain from fair value adjustment on investment properties	(15,477)	(8,264)
Finance income	(52)	(56)
Finance costs	7,578	10,889
<b>Operating results before working capital changes</b>	<b>31,631</b>	<b>29,544</b>
Increase in trade and other receivables	(5,528)	(4,127)
(Decrease)/ increase in trade and other payables	(240)	280
<b>Net cash generated from operating activities</b>	<b>25,863</b>	<b>25,697</b>
<b>Cash flows from investing activities</b>		
Purchase of/capital expenditures on investment properties	67	(20,611)
Disposal proceeds from sale of assets (net of transaction costs)	7,472	2,120
Restricted cash - paid	-	(5)
Restricted cash - released	5	133
Interest received	8	18
<b>Net cash generated from/(used in) investing activities</b>	<b>7,552</b>	<b>(18,345)</b>
<b>Cash flows from financing activities</b>		



Interest paid		(7,228)	(7,226)
Shares repurchased (including transaction costs)	25	(5,035)	-
Loan arrangement fees paid	21	(212)	(599)
Dividends paid	27	(21,622)	(21,730)
<b>Net cash used in financing activities</b>		<b>(34,097)</b>	<b>(29,555)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(682)</b>	<b>(22,203)</b>
Cash and cash equivalents at the beginning of the year		29,696	51,899
<b>Cash and cash equivalents at the end of the year</b>	17	<b>29,014</b>	<b>29,696</b>

The accompanying notes form an integral part of these Group Financial Statements.

## NOTES TO THE GROUP FINANCIAL STATEMENTS

For the ended 31 December 2023

### 1. CORPORATE INFORMATION

Triple Point Social Housing REIT plc (the "Company") is a Real Estate Investment Trust ("REIT") incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 12 June 2017. The address of the registered office is 1 King William Street, United Kingdom, EC4N 7AF. The Company is registered as an investment company under section 833 of the Companies Act 2006 and is domiciled in the United Kingdom.

The principal activity of the Company is to act as the ultimate parent company of Triple Point Social Housing REIT plc and its subsidiaries (the "Group") and to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes.

### 2. BASIS OF PREPARATION

The financial information contained in this results announcement has been prepared on the basis of the accounting policies set out in the statutory financial statements for the year ended 31 December 2023 which are consistent with policies those adopted in the year ended 31 December 2022. Whilst the financial information included in this announcement has been computed in accordance with UK adopted international accounting standards, this announcement does not itself contain sufficient disclosures to comply with IFRS. The financial information does not constitute the Group's statutory financial statements for the years ended 31 December 2023 or 31 December 2022, but is derived from those financial statements. Financial statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies and those for the year ended 31 December 2023 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 31 December 2023 and 31 December 2022 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. All accounting policies have been applied consistently.

The Group's Financial Statements have been prepared on a historical cost basis, as modified for the Group's investment properties, which have been measured at fair value. Gains or losses arising from changes in fair values are included in profit or loss.

The preparation of financial statements in compliance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these financial statements and their effect are disclosed in note 3.

#### 2.1. Going concern

The Group benefits from a secure income stream from long leases which are not overly reliant on any one tenant and present a well-diversified risk. The Directors have reviewed the Group's forecast which shows the expected annualised rental income exceeds the expected operating costs of the Group. 90.2% of rental income due and payable for the year ended 31 December 2023 has been collected, rent arrears are predominantly attributable to two Approved Providers, My Space Housing Solutions and Parasol Homes.

The Directors believe that the Group is still well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due. During the year, Fitch Ratings Limited assigned the Company an investment 'C' Long-Term Issuer Default Rating 'A-' with a stable outlook and a senior secured rating of 'A' for the Group's existing loan notes.

The Directors have performed an assessment of the ability of the Group to continue as a going concern, for a period of at least 12 months from the date of signing these financial statements. The Directors have considered the expected obligations of the Group for the next 12 months and are confident that all will be met.

The Directors have also considered the financing provided to the Group. Norland Estates Limited and TP REIT Propco 2 Limited have bank facilities with MetLife and Barings respectively.

The loans secured by Norland Estates Limited and TP REIT Propco 2 Limited are subject to asset cover ratio covenants and interest cover ratio covenants which can be found in the table below. The Directors have also considered reverse stress testing and the circumstances that would lead to a covenant breach. Given the level of headroom, the Directors are of the view that the risk of scenarios materialising that would lead to a breach of the covenants is remote.

	<b>Norland Estates Limited</b>	<b>TP REIT Propco 2 Limited</b>
<b>Asset Cover (ACR)</b>		
Asset Cover Ratio Covenant	x2.00	x1.67
Asset Cover Ratio 31 December 2023	x2.81	x2.01
Blended Net initial yield	5.75%	5.86%
Headroom (yield movement)	214bps	112bps
<b>Interest Cover (ICR)</b>		
Interest Cover Ratio Covenant	1.75x	1.75x
Interest Cover Ratio 31 December 2023	4.63x	4.26x
Headroom (rental income movement)	62%	53%

Under the downside model the forecasts have been stressed to show the effect of some Care Providers ceasing to pay their voids liability, and as a result this causes Approved Providers to default under some of the Group leases; and the assumptions for the amount of rent paid by one Approved Provider that has built up arrears have been sensitised. Under the downside model the Group will be able to settle its liabilities for a period of at least 12 months from the date of signing these financial statements. As a result of the above, the Directors are of the opinion that the going concern basis adopted in the preparation of the financial statements is appropriate.

The Group has no short or medium term refinancing risk given the 9.6 year average maturity of its long term debt facilities with MetLife and Barings, the first of which expires in June 2028, and which are fully fixed at an all-in weighted average rate of 2.74%.

Based on the forecasts prepared and the intentions of the Parent Company, the Directors consider that the Group will be able to settle its liabilities for a period of at least 12 months from the date of signing these financial statements and therefore has prepared these financial statements on the going concern basis.

## 2.2. Currency

The Group financial information is presented in Sterling which is also the Group's functional currency.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of related assets and liabilities within the next financial year are outlined below:

### Estimates:

#### 3.1. Investment properties

The Group uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate discount rate. The valuers also refer to market evidence of transaction prices for similar properties. Further information is provided in note 14.

The Group's properties have been independently valued by Jones Lang LaSalle Limited ("JLL" or the "Valuer") in accordance with the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation - Professional Standards, Global and UK Editions (commonly known as the "Red Book"). JLL is one of the most recognised professional firms within social housing valuation and has sufficient current local and national knowledge of both social housing in general and Specialist Supported Housing and has the skills and understanding to undertake the valuations competently.

With respect to the Group's Financial Statements, investment properties are valued at their fair value at each Statement of Financial Position date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Given the bespoke nature of each of the Group's investments, all of the Group's investment properties are included in Level 3 with the inputs included in note 14.

Level 1 - Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets;

Level 2 - Quoted prices for similar assets and liabilities in active markets; and

Level 3 - External inputs are "unobservable". Value is the Director's best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and a determination of which assumptions should be applied in valuing such assets and with particular focus on the specific attributes of the investments themselves.

#### 3.2. Expected Credit Losses (ECL)

The Group recognised an additional ECL provision of £4.6 million in the current year (31 December 2022 - £2.1 million) resulting in a total ECL provision of £6.7 million as at 31 December 2023 (31 December 2022 - £2.1 million) which entirely relates to rental arrears for two of the Group's Approved Providers. A default probability for each of the two Approved Providers, representing the estimated percentage likelihood of them paying outstanding rent due at 31 December 2023, was determined based on their latest known financial position and any repayment plans that had been agreed or discussed. For each provider the estimated percentage probability of receiving unpaid rent has been multiplied by the rental arrears as at the statement of financial position date. These two figures have been aggregated to arrive at the ECL provision.

### Judgements:

#### 3.3. Leases incentive debtor

The lease incentive debtor recognised from rent smoothing adjustments are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss method) are not applied to those balances. The credit risk associated with the tenant is considered in the determination of the fair value of the related property. In the current year, the income recognised in respect of such rent smoothing amounted to £1,500,000 (2022: £636,000).

## 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 4.1. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. The Group recognises asset acquisitions on completion. After initial recognition, investment property is stated at its fair value at the Statement of Financial Position date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the Statement of Comprehensive Income. Subsequent expenditure is capitalised only when it is probable that future economic benefits are

comprehensive income. Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure.

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

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 3.

#### **4.2. Leases**

##### **Lessor**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group has determined that it retains all the significant risks and rewards of ownership of the properties it has acquired to date and accounts for the contracts as operating leases.

Properties leased out under operating leases are included in investment properties in the Statement of Financial Position. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases. Tenant lease incentives are not subject to expected credit loss provision under IFRS 9 as the Group does not have unconditional right to collect cash flows relating to these assets but do impact the carrying amounts of the related investment properties as at the statement of financial position date. Therefore a lease incentive debtor is recognised based on the smoothing of rent free periods granted such that the rental income from operating leases is recognised on a straight-line basis over the lease term. The lease incentive debtor recognised from such rent smoothing adjustments are not considered to be financial assets as the amounts are not yet contractually due. As such, the requirements of IFRS 9 (including the expected credit loss method) are not applied to those balances, although the credit risk is considered in the determination of the fair value of the related property.

##### **Lessee**

As a lessee the Group recognises a right-of-use asset within investment properties and a lease liability for all leases, which is included within trade and other payables (notes 18 and 19). The lease liabilities are measured at the present value of the remaining lease payments, discounted using an appropriate discount rate at inception of the lease or on initial recognition. The discount rate applied by the Group is the incremental borrowing rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

As leasehold properties meet the definition of investment property, the right-of-use assets are presented within investment properties (note 14), and after initial recognition are subsequently measured at fair value.

##### **Sub-leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the underlying property asset to the lessee. Sub-leases of leasehold properties are classified with reference to the right-of-use asset arising from the head lease. All other leases are classified as operating leases.

#### **4.3 Rent and other receivables**

Rent and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Rent receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost, less provision for impairment.

Impairment provisions for current and non-current rent receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the rent receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the rent receivables. Rent receivables are reported net of the ECL provision and the movement in the provision is recognised in the Group statement of comprehensive income. On confirmation that the rent receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for all other receivables are recognised based on a forward-looking expected credit loss model using the general approach. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

#### **4.4. Bank and other borrowings**

Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensure that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

#### **4.5 Taxation**

Taxation on the element of the profit or loss for the period that is not exempt under UK REIT regulations would be comprised of current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it is recognised as a direct movement in equity. Current tax is the expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous periods.

#### **4.6 Dividends payable to shareholders**

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. In the case of final dividends this is when approved by the shareholders at the Annual General Meeting.

minor amendments, and is when approved by the shareholders at the Annual General Meeting.

#### 4.7 Rental income

Rental income from investment property is recognised on a straight-line basis over the term of ongoing leases and is shown gross of any UK income tax. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, where the Directors are reasonably certain that the rental uplift will be agreed.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease and are not subjected to an expected credit loss provision under IFRS 9. These are recognised within trade and other receivables on the Statement of Financial Position.

When the Group enters into a forward funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once the practical completion has taken place the formal lease is signed at which point rental income commences to be recognised in the Statement of Comprehensive Income.

#### 4.8 Finance income and finance costs

Finance income is recognised as interest accrues on cash balances held by the Group. Finance costs consist of interest and other costs that the Group incurs in connection with bank and other borrowings. These costs are expensed in the period in which they occur. Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use.

#### 4.9 Investment management fees

Investment management fees are recognised in the Statement of Comprehensive Income on an accruals basis.

#### 4.10 Treasury shares

Consideration paid or received for the purchase or sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

### 5. RENTAL INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Rental income - freehold assets	37,473	35,087
Rental income - leasehold assets	2,366	2,213
	<b>39,839</b>	<b>37,300</b>
Expected credit loss	<b>4,593</b>	<b>2,073</b>

The lease agreements between the Group and the Approved Providers are fully repairing and insuring leases. The Approved Providers are responsible for the settlement of all present and future rates, taxes, costs and other impositions payable in respect of the properties. As a result, no direct property expenses were incurred.

All rental income arose within the United Kingdom.

The expected loss rates are based on the Group's credit losses which started to occur during the year ended 31 December 2022 for the first time since IPO. The expected loss rates are then adjusted for current and forward-looking information affecting the Group's tenants. The ECL provision during the year of £4.6 million includes £1.0 million relating to unpaid rent for the year ended 31 December 2022 reflecting the increase in the expected credit loss from the continued partial non-payment of rent due by two of the Group's tenants.

### 6. DIRECTORS' REMUNERATION

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Directors' fees	280	275
Employer's National Insurance Contributions	32	33
	<b>312</b>	<b>308</b>

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The Chairman receives a Director's fee of £75,000 per annum (2022: £75,000), and the other Directors of the Board receive a fee of £50,000 per annum (2022: £50,000). The Directors are also entitled to an additional fee of £7,500 in connection with the production of every prospectus by the Company. Each Director was paid this additional fee in 2020 following the publication of the prospectus, but no additional fees were paid during 2023 or 2022. A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report within the Corporate Governance Report. None of the Directors received any advances or credits from any group entity during the year.

### 7. PARTICULARS OF EMPLOYEES

The Group and Company had no employees during the year other than the Directors (2022: none).

### 8. MANAGEMENT FEES

Year ended	Year ended
31 December 2023	31 December 2022

	£'000	£'000
Management fees	4,651	4,704

On 20 July 2017 Triple Point Investment Management LLP 'TPIM' was appointed as the delegated investment manager of the Company by entering into the property management services and delegated portfolio management agreement. Under this agreement the delegated investment manager will advise the Company and provide certain management services in respect of the property portfolio. A Deed of Variation was signed on 23 August 2018. This defined cash balances in the Net Asset Value calculation in respect of the management fee as "positive uncommitted cash balances after deducting any borrowings". The management fee is an annual management fee which is calculated quarterly in arrears based upon a percentage of the last published Net Asset Value of the Group (not taking into account uncommitted cash balances after deducting borrowings as described above) as at 31 March, 30 June, 30 September and 31 December in each year on the following basis with effect from Admission:

- on that part of the Net Asset Value up to and including £250 million, an amount equal to 1% of such part of the Net Asset Value;
- on that part of the Net Asset Value over £250 million and up to and including £500 million, an amount equal to 0.9% of such part of the Net Asset Value;
- on that part of the Net Asset Value over £500 million and up to and including £1 billion, an amount equal to 0.8% of such part of the Net Asset Value; and
- on that part of the Net Asset Value over £1 billion, an amount equal to 0.7% of such part of the Net Asset Value.

Management fees of £4,651,000 (2022: £4,704,000) were chargeable by TPIM during the year. At the year end £1,180,000 (2022: £1,159,000) was due to TPIM.

By two agreements dated 30 June 2020, the Company appointed TPIM as its Alternative Investment Fund Manager by entering into an Alternative Investment Fund Management Agreement and (separately) documented TPIM's continued appointment as the provider of portfolio and property management services by entering into an Investment Management Agreement.

#### 9. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
Legal and professional fees	972	829
Property costs	579	404
Marketing costs	466	341
Audit fees	400	371
Administration and Secretarial Fees	318	324
AIFM fees	216	192
Lease transfer costs	11	151
Other administrative expenses	283	242
	<b>3,245</b>	<b>2,854</b>

On 1 October 2019 Hanway Advisory Limited, who are associated with Triple Point Investment Management LLP the delegated investment manager, were appointed to provide Administration and Company Secretarial Services to the Group. Within Administration Fees is an amount of £318,000 (2022: £324,000) for Administration and Company Secretarial Services chargeable by Hanway Advisory Limited.

The audit fees in the table above are inclusive of VAT, and therefore differ to the fees in note 10 which are reported net of VAT.

On 30 June 2020 Triple Point Investment Management LLP was appointed as the fund's Alternative Investment Fund Manager (AIFM) to perform certain functions for the Group. During the year AIFM services of £216,000 (2022: £192,000) were chargeable by TPIM. At the year end £53,000 (2022: £48,000) was due to TPIM.

Lease transfer costs represent repairs costs incurred in relation to the transfer of 12 leases from Westmoreland and amortisation costs in relation to the original transfer costs.

#### 10. AUDIT FEES

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
Group audit fees - current year	259	242
Subsidiary audit fees	33	31
	<b>292</b>	<b>273</b>

Non audit fees paid to BDO LLP included £40,000 (2022: £36,000) in relation to the half year interim review.

The audit fee for the following subsidiaries has been borne by the Company:

- TP REIT Super Holdco Limited
- Norland Estates Limited
- TP REIT Holdco 1 Limited
- TP REIT Propco 2 Limited

- 
- TP REIT Holdco 2 Limited
- 
- TP REIT Holdco 3 Limited
- TP REIT Holdco 4 Limited
- TP REIT Holdco 5 Limited
- 
- TP REIT Propco 3 Limited
- 
- TP REIT Propco 4 Limited
- TP REIT Propco 5 Limited

## 11. FINANCE INCOME

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
Other interest income	52	56

## 12. FINANCE COSTS

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
Interest payable on bank borrowings	7,217	7,217
Amortisation of loan arrangement fees	307	1,006
Written off loan arrangement fees	-	2,619
Head lease interest expense	44	37
Bank charges	10	9
	<b>7,578</b>	<b>10,889</b>
Total finance cost for financial liabilities not measured at fair value through profit or loss	<b>7,568</b>	<b>10,880</b>

Written off loan arrangement fees in the year ended 31 December 2022 relate to the Lloyds and NatWest loan facility that was reduced and subsequently cancelled during that year. All remaining unamortised loan arrangement fees in respect of this facility were written off.

## 13. TAXATION

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the year ended 31 December 2023, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. If there were any non-qualifying profits and gains, these would be subject to corporation tax. It is assumed that the Group will continue to be a group UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business.

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
<b>Current tax</b>		
Corporation tax charge for the year	-	-
Total current income tax charge in the profit or loss	-	-

The tax charge for the period is less than the standard rate of corporation tax in the UK of 25% (2022: 19%). The differences are explained below.

	Year ended	Year ended
	31 December 2023	31 December 2022
	£'000	£'000
Profit for the year before tax	34,989	24,902
Tax at UK corporation tax standard rate of 25/19%	8,747	4,731
Change in fair value of investment properties	(3,969)	(2,727)

Disposal of investment property	100	1,157
Exempt REIT income	(5,707)	(3,768)
Amounts not deductible for tax purposes	49	27
Unutilised residual current period tax losses	780	580
	<u>-</u>	<u>-</u>

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

#### 14. INVESTMENT PROPERTY

	Operational assets £'000
As at 1 January 2023	<u>667,713</u>
Acquisitions and additions*	(224)
Fair value adjustment**	15,875
Movement in head lease ground rent liability	4
Transferred to Assets Held for Sale before disposal***	(7,871)
<b>As at 31 December 2023</b>	<u><b>675,497</b></u>
As at 1 January 2022	<u>641,293</u>
Acquisitions and additions*	19,752
Fair value adjustment**	15,239
Movement in head lease ground rent liability	(2)
Transferred to Assets Held for Sale before disposal***	(1,494)
Disposals	(7,075)
<b>As at 31 December 2022</b>	<u><b>667,713</b></u>

\*Additions in the table above differs to the total investment cost of new properties in the period in the front end due to retentions no longer payable which were credited to Investment Property additions.

\*\*Gain from fair value adjustment on investment properties in the Group Statement of Comprehensive Income is net of the loss from fair value adjustments on assets held for sale of £0.28 million (31 December 2022 - £0.88 million) and loss on disposal of four properties of £0.11 million (31 December 2022 - £6.1 million).

\*\*\* Assets transferred to assets held for sale before disposal were presented as assets held for sale during the interim period ended 30 June 2023 (30 June 2022) and were eventually disposed on 31 August 2023 (28 July 2022 & 29 July 2022).

Reconciliation to independent valuation:	31 December 2023	31 December 2022
	£'000	£'000
Investment property valuation	678,358	669,077
Fair value adjustment - headlease ground rent	1,463	1,460
Fair value adjustment - lease incentive debtor	(4,324)	(2,824)
	<u>675,497</u>	<u>667,713</u>

The carrying value of leasehold properties at 31 December 2023 was £41.1 million (2022: £40.1 million).

In accordance with "IAS 40: Investment Property", the Group's investment properties have been independently valued at fair value by Jones Lang LaSalle Limited ("JLL"), an accredited external valuer with recognised and relevant professional qualifications. The independent valuers provide their fair value of the Group's investment property portfolio every three months.

JLL were appointed as external valuers by the Board on 11 December 2017. JLL has provided valuations services to the Group. The proportion of the total fees payable by the Company to JLL's total fee income is minimal. Additionally, JLL has a rotation policy in place whereby the signatories on the valuations rotate after seven years.

#### % Key Statistic

The metrics below are in relation to the total investment property portfolio held as at 31 December 2023.

Portfolio metrics	31 December 2023	31 December 2022
Capital Deployed (£'000) *	574,827	581,647
Number of Properties	493	497
Number of Tenancies***	390	395
Number of Registered Providers***	27	27
Number of Local Authorities***	153	153
Number of Care Providers***	116	123
Valuation Net Initial Yield (NIY)**	5.71%	5.49%

\*calculated excluding acquisition costs.

\*\*calculated using IAS 40 valuations (excluding forward funding acquisitions).

\*\*\* calculated excluding forward funding acquisitions.

Region	31 December 2023		31 December 2022	
	*Cost £'000	% of funds invested	*Cost £'000	% of funds invested
North West	109,880	19.1	115,042	19.8
West Midlands	93,635	16.3	94,790	16.3
Yorkshire	87,148	15.2	86,293	14.8
East Midlands	63,979	11.1	69,429	11.9
North East	56,653	9.9	51,986	8.9
South East	53,674	9.3	54,799	9.4
London	49,626	8.6	49,579	8.5
South West	27,466	4.8	27,466	4.7
East	24,206	4.2	23,703	4.1
Scotland	5,900	1.0	5,900	1.0
Wales	2,660	0.5	2,660	0.6
<b>Total</b>	<b>574,827</b>	<b>100</b>	<b>581,647</b>	<b>100</b>

\*excluding acquisition costs

#### Fair value hierarchy

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		£'000	£'000	£'000	£'000
Assets measured at fair value:					
Investment properties	31 December 2023	675,497	-	-	675,497
Investment properties	31 December 2022	667,713	-	-	667,713

There have been no transfers between Level 1 and Level 2 during the year, nor have there been any transfers between Level 2 and Level 3 during the year.

The valuations have been prepared in accordance with the RICS Valuation - Professional Standards (incorporating the International Valuation Standards) by JLL, one of the leading professional firms engaged in the social housing sector.

As noted previously, all of the Group's investment properties are reported as Level 3 in accordance with IFRS 13 where external inputs are "unobservable" and value is the Directors' best estimate, based upon advice from relevant knowledgeable experts.

In this instance, the determination of the fair value of an investment property requires an examination of the specific merits of each property that are in turn considered pertinent to the valuation.

These include i) the regulated social housing sector and demand for the facilities offered by each Specialised Supported Housing property owned by the Group; ii) the particular structure of the Group's transactions where vendors, at their own expense, meet the majority of the refurbishment costs of each property and certain purchase costs; iii) detailed financial analysis with discount rates supporting the carrying value of each property; iv) underlying rents for each property being subject to independent benchmarking and adjustment where the Group considers them too high (resulting in a price reduction for the purchase or withdrawal from the transaction); and v) a full repairing and insuring lease with annual indexation based on CPI or CPI+1% and effectively 25 years outstanding, in most cases with a Registered Provider itself regulated by the Regulator of Social Housing.

Descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

#### Valuation techniques: Discounted cash flows

The discounted cash flows model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate and lease incentive costs such as rent-free periods. The expected net cash flows are then discounted using risk-adjusted discount rates.

There are two main unobservable inputs that determine the fair value of the Group's investment property:

1. the rate of inflation as measured by CPI; it should be noted that all leases benefit from either CPI or RPI indexation; and
2. the discount rate applied to the rental flows.

Key factors in determining the discount rates to assess the level of uncertainty applied include: the performance of the regulated social housing sector and demand for each Specialised Supported Housing property owned by the Group; costs of acquisition and refurbishment of each property; the anticipated future underlying cash flows for each property; benchmarking of each underlying rent for each property (passing rent); and the fact that all of the Group's properties have the benefit of full repairing and insuring leases entered into by a Housing Association.

All the properties within the Group's portfolio benefit from leases with annual indexation based upon CPI or RPI. The fair value measurement is based on the above items highest and best use, which does not differ from their actual use. The valuer also considers the resulting net initial yield for each property for appropriateness.

#### Sensitivities of measurement of significant unobservable inputs

As set out within the significant accounting estimates and judgements in note 3, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result, the following sensitivity analysis has been prepared:



**Average discount rate and range:**

The average discount rate used in the Group's property portfolio valuation is 7.3% (2022: 6.82%). The range of discount rates used in the Group's property portfolio valuation is from 6.5% to 10.0% (2022: 6.2% to 8.6%).

For the purposes of the valuation, CPI and RPI is assumed to increase by 2% per annum and 2.5% per annum respectively over the term of the relevant leases.

	-0.5% change in Discount Rate £'000	+0.5% change in Discount Rate £'000	+0.25% change in CPI £'000	-0.25% change in CPI £'000
<b>Changes in the IFRS fair value of investment properties</b>				
<b>As at 31 December 2023</b>	38,653	(35,403)	19,143	(18,377)
<b>As at 31 December 2022</b>	40,552	(36,941)	21,037	(20,207)

The valuations have not been influenced by climate related factors due to there being little measurable impact on inputs at present.

**15. TRADE AND OTHER RECEIVABLES (non-current)**

	31 December 2023 £'000	31 December 2022 £'000
Lease incentive debtor	4,072	2,717
Other receivables	161	172
	<b>4,233</b>	<b>2,889</b>

The Directors consider that the carrying value of trade and other receivables approximate their fair value. All amounts are due to be received in more than one year from the reporting date.

**16. TRADE AND OTHER RECEIVABLES (current)**

	31 December 2023 £'000	31 December 2022 £'000
Rent receivable	2,436	3,209
Lease incentive debtor	252	107
Prepayments	189	174
Other receivables	987	782
	<b>3,864</b>	<b>4,272</b>

The Directors consider that the carrying value of trade and other receivables approximate their fair value. All amounts are due to be received within one year from the reporting date.

The Group applies the general approach to providing for expected credit losses under IFRS 9 for rent and other receivables. Where the credit loss relates to revenue already recognised in the Statement of Comprehensive Income, the expected credit loss allowance is recognised in the Statement of Comprehensive Income. The Expected credit losses included in rent receivables is £6,666,000 (2022: £2,073,000) of which £4,593,000 (2022: £2,073,000) were charged to the Statement of Comprehensive Income in the year.

**17. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

	31 December 2023 £'000	31 December 2022 £'000
Cash at bank	29,014	29,152
Restricted cash	438	443
Cash held by lawyers	-	544
	<b>29,452</b>	<b>30,139</b>

Cash held by lawyers is money held in escrow for retention releases and SDLT reclaimed from HMRC. These funds are available immediately on demand.

Restricted cash represents monies held in escrow in relation to the transfer of leases during 2020.

31 December 2023 £'000	31 December 2022 £'000
---------------------------	---------------------------

Total Cash, cash equivalents and restricted cash	29,452	30,139
Restricted cash	(438)	(443)
Cash reported on Group Statement of Cash Flows	<b>29,014</b>	<b>29,696</b>

#### 18. TRADE AND OTHER PAYABLES

##### Current liabilities

	31 December 2023	31 December 2022
	£'000	£'000
Trade payables	-	37
Accruals	2,270	2,014
Head lease ground rent (note 28)	40	40
Other creditors	412	1,029
	<b>2,722</b>	<b>3,120</b>

The Other Creditors balance consists of retentions due on completion of outstanding works and on the rebate of stamp duty refunds. The Directors consider that the carrying value of trade and other payables approximate their fair value. All amounts are due for payment within one year from the reporting date.

#### 19. OTHER PAYABLES

##### Non-current liabilities

	31 December 2023	31 December 2022
	£'000	£'000
Head lease ground rent (note 28)	1,424	1,420
Rent deposit	100	100
	<b>1,524</b>	<b>1,520</b>

#### 20. BANK AND OTHER BORROWINGS

##### Non-current liabilities

	31 December 2023	31 December 2022
	£'000	£'000
Bank and other borrowings drawn at year end	263,500	263,500
Unamortised costs at beginning of the year	(2,412)	(4,798)
Less: loan issue costs incurred	(212)	(131)
Add: loan issue costs amortised	307	433
Add: loan issue costs written off	-	2,085
Unamortised costs at end of the year	(2,317)	(2,412)
Balance at year end	<b>261,183</b>	<b>261,088</b>

The amount of loan arrangement fees written off and amortised in 2022 as per note 12, and loan arrangement fees paid in the Group statement of cash flows for the year ended 31 December 2022 differ to the amounts in the table above as the amounts in the table above exclude amounts related to the undrawn Revolving Credit Facility ("RCF") which was cancelled in the prior year.

At 31 December 2023 there were undrawn bank borrowings of £NIL (2022: £NIL).

As at 31 December 2023, the Group's borrowings comprised two debt facilities;

- a long dated, fixed rate, interest only financing arrangement in the form of a private placement of loan notes in an amount of £68.5 million with MetLife Investment Management (and affiliated funds); and
- £195 million long dated, fixed rate, interest only sustainability-linked loan notes through a private placement with MetLife Investment Management clients and Barings.

The Group also had access to £160 million RCF with Lloyds and NatWest which was cancelled in December 2022. Prior to being cancelled, the facility was undrawn.

##### Loan Notes

The Loan Notes of £68.5 million are secured against a portfolio of Specialised Supported Housing assets throughout the UK, worth approximately £192 million (31 December 2022 - £189 million). The Loan Notes represent a loan-to-value of 40% of the value of the secured pool of assets and are split into two tranches: Tranche-A, is an amount of £41.5 million, has a term of 10 years from utilisation and is priced at an all-in coupon of 2.94% pa; and Tranche-B, is an amount of £27 million, has a term of 15 years from utilisation and is priced at an all-in coupon of 3.215% pa. On a blended basis, the weighted average term is 12 years carrying a weighted average fixed rate coupon of 3.039% pa. At 31 December 2023, the Loan Notes have been independently valued at £59.3 million which has been used to calculate the Group's EPRA Net Disposal Value in note 2 of the Unaudited Performance Measures. The fair value is determined by comparing the discounted future cash flows using the contracted yields with the reference gilts plus the margin implied. The reference gilts used were the Treasury 3.357% 2028 Gilt (Tranche A) and Treasury 3.439% 2033 Gilt (Tranche B), with an implied margin that is unchanged since the date of fixing.

In August 2021, the Group put in place Loan Notes of £195 million which enabled the Group to refinance the full £130

million previously drawn under its £160 million RCF with Lloyds and NatWest. The Loan Notes are secured against a portfolio of Specialised Supported Housing assets throughout the UK, worth approximately £392 million. The Loan Notes represent a loan-to-value of 40% of the value of the secured pool of assets and are split into two tranches: Tranche-A, is an amount of £77.5 million, has a term of 10 years from utilisation and is priced at an all-in coupon of 2.403% pa; and Tranche-B, is an amount of £117.5 million, has a term of 15 years from utilisation and is priced at an all-in coupon of 2.786% pa. On a blended basis, the weighted average term is 13 years carrying a weighted average fixed rate coupon of 2.634% pa. At 31 December 2023, the Loan Notes have been independently valued at £145.7 million which has been used to calculate the Group's EPRA Net Disposal Value in note 2 of the Unaudited Performance Measures. The fair value is determined by comparing the discounted future cash flows using the contracted yields with the reference gilts plus the margin implied. The reference gilts used were the Treasury 3.398% 2031 Gilt (Tranche A) and Treasury 3.716% 2036 Gilt (Tranche B), with an implied margin that is unchanged since the date of fixing.

The Groups loan to value at the year end was 37.0 % (2022: 37.4%)

The loans are considered a Level 2 fair value measurement.

The Group has met all compliance with its financial covenants on the above loans throughout the year.

## 21. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities to cash flows from financing activities:

	Bank borrowings £'000 (note 20)	Head lease £'000 (note 18,19)	Total £'000
At 1 January 2023	261,088	1,460	262,548
Cashflows:			
Loan arrangement fees paid	(212)	-	(212)
Non-cash flows:			
- Amortisation of principal on head lease liabilities	-	(40)	(40)
-Amortisation of loan arrangement fees	307	-	307
-Accrued interest on head lease liabilities	-	44	44
At 31 December 2023	<u>261,183</u>	<u>1,464</u>	<u>262,647</u>
	Bank borrowings £'000 (note 20)	Head lease £'000 (note 18,19)	Total £'000
At 1 January 2022	258,702	1,463	260,165
Cashflows:			
Loan arrangement fees paid	(131)	-	(131)
Non-cash flows:			
-Amortisation of principal on head lease liabilities	-	(40)	(40)
-Amortisation of loan arrangement fees	433	-	433
-Loan arrangement fees written off	2,084	-	2,084
-Accrued interest on head lease liabilities	-	37	37
At 31 December 2022	<u>261,088</u>	<u>1,460</u>	<u>262,548</u>

## 22. SHARE CAPITAL

	Issued and fully paid Number	Issued and fully paid £'000
At 1 January 2023	403,239,002	4,033
Shares cancelled in the year	(9,322,512)	(93)
At 31 December 2023	<u>393,916,490</u>	<u>3,940</u>
	Issued and fully paid Number	Issued and fully paid £'000
At 1 January 2022	403,239,002	4,033
At 31 December 2022	<u>403,239,002</u>	<u>4,033</u>

The Company achieved admission to the specialist fund segment of the main market of the London Stock Exchange on 8 August 2017, raising £200 million. As a result of the IPO, at 8 August 2017, 200,000,000 shares at one pence each were issued and fully paid. The Company was admitted to the premium segment of the Official List of the Financial Conduct Authority and migrated to trading on the premium segment of the Main Market on 27 March 2018.

Since then there were three public offers up to 21 October 2020 with a further 193,916,490 Ordinary Shares of one pence each were issued and fully paid.

Rights, preferences and restrictions on shares: All Ordinary Shares carry equal rights, and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

the Company. All shares rank equally with regard to the Company's residual assets.

The table above includes 450,000 treasury shares (note 24). Treasury shares do not hold any voting rights.

Between 19 April 2023 and 12 June 2023 the Company repurchased 9,322,512 shares at an average price of 52.6 pence per share, the shares were subsequently cancelled.

### 23. SHARE PREMIUM RESERVE

The share premium reserve relates to amounts subscribed for share capital in excess of nominal value.

	31 December 2023	31 December 2022
	£'000	£'000
Balance at beginning of year	203,753	203,753
Balance at end of year	<u>203,753</u>	<u>203,753</u>

### 24. TREASURY SHARES RESERVE

	31 December 2023	31 December 2022
	£'000	£'000
Balance at beginning of year	(378)	(378)
Balance at end of year	<u>(378)</u>	<u>(378)</u>

The treasury shares reserve relates to the value of shares purchased by the Company in excess of nominal value. No treasury shares were purchased during the current or prior year. During the year ended 31 December 2019, the Company purchased 450,000 of its own 1p Ordinary Shares at a total gross cost of £377,706 (£374,668 cost of shares and £3,038 associated costs). As at 31 December 2023 and 31 December 2022, 450,000 1p Ordinary Shares were held by the Company.

### 25. CAPITAL REDUCTION RESERVE

	31 December 2023	31 December 2022
	£'000	£'000
Balance at beginning of year	160,394	160,394
Share buybacks and cancellation	(5,035)	-
Balance at end of year	<u>155,359</u>	<u>160,394</u>

The capital reduction reserve is a distributable reserve that was created on the cancellation of share premium.

Between 19 April 2023 and 12 June 2023 the Company repurchased 9,322,512 shares at an average price of 52.6 pence per share. The shares were subsequently cancelled.

### CAPITAL REDEMPTION RESERVE

	31 December 2023	31 December 2022
	£'000	£'000
Balance at beginning of year	-	-
Original shares repurchased & cancelled	93	-
Balance at end of year	<u>93</u>	<u>-</u>

The Capital Redemption Reserve is the nominal value of the shares cancelled from the share buybacks.

### 26. RETAINED EARNINGS

	31 December 2023	31 December 2022
	£'000	£'000
Balance at beginning of year	71,483	68,311
Total comprehensive income for the year	34,989	24,902
Dividends paid	(21,622)	(21,730)
Balance at end of year	<u>84,850</u>	<u>71,483</u>

### 27. DIVIDENDS

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
1.3p for the 3 months to 31 December 2021 paid on 25 March 2022	-	5,236
1.365p for the 3 months to 31 March 2022 paid on 24 June 2022	-	5,498

1.365p for the 3 months to 30 June 2022 paid on 30 September 2022	-	5,498
1.365p for the 3 months to 30 September 2022 paid on 16 December 2022	-	5,498
1.365p for the 3 months to 31 December 2022 paid on 29 March 2023	5,498	-
1.365p for the 3 months to 31 March 2023 paid on 28 June 2023	5,382	-
1.365p for the 3 months to 30 June 2023 paid on 29 September 2023	5,371	-
1.365p for the 3 months to 30 September 2023 paid on 15 December 2023	5,371	-
	<b>21,622</b>	<b>21,730</b>

On 7 March 2024, the Company declared an interim dividend of 1.365 pence per Ordinary Share for the period 1 October 2023 to 31 December 2023. The total dividend of £5,370,818 will be paid on or around 29 March 2024 to Ordinary shareholders on the register on 15 March 2024.

The Company intends to pay dividends to shareholders on a quarterly basis and in accordance with the REIT regime.

Dividends are not payable in respect of the Treasury shares held by the Company.

## 28. LEASES

### A. Leases as lessee

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date:

	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Lease payables</b>							
31 December 2023	40	40	40	40	40	7,197	7,397
31 December 2022	40	40	40	40	40	7,242	7,442

	31 December 2023	31 December 2022
	£'000	£'000
Current liabilities (note 18)	40	40
Non-current liabilities (note 19)	1,424	1,420
Balance at end of year	<b>1,464</b>	<b>1,460</b>

The above is in respect of properties held by the Group under leasehold. There are 23 properties (2022: 23) held under leasehold with lease terms which range from 125 years to 985 years. The Group's leasing arrangements with lessors are headlease arrangements on land and buildings that have been sub-let under the Group's normal leasing arrangements (see above) to tenants. The Group carries its interest in these headlease arrangements as long leasehold investment property (note 14).

### B. Leases as lessor

The Group leases out its investment properties (see note 14).

The undiscounted future minimum lease payments receivable by the Group under non-cancellable operating leases are as follows:

	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Lease receivables</b>							
31 December 2023	40,971	40,971	40,971	40,971	40,971	451,354	656,209
31 December 2022	38,975	38,975	38,975	38,975	38,975	462,374	657,249

Leases are direct-let agreements with Registered Providers for a term of at least 15 years and usually between 20 to 25 years with rental uplifts linked to CPI or RPI. All leases are full repairing and insuring (FRI) leases, the tenants are therefore obliged to repair, maintain and renew the properties back to the original conditions.

The following table gives details of the percentage of annual rental income per Registered Provider with 10% or more than 10% share in any year presented:

	31 December 2023	31 December 2022
Registered Provider	% of total annual rent	% of total annual rent
Inclusion Housing CIC	29	29

Other disclosures about leases are provided in notes 5, 14, 16, 19 and 33.

## 29. CONTROLLING PARTIES

As at 31 December 2023 there is no ultimate controlling party of the Company.

## 30. SEGMENTAL INFORMATION

IFRS 8 Operating Segments requires operating segments to be identified based on internal financial reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (which in the Group's case is delegated to the Delegated Investment Adviser TPIM).

The internal financial reports received by TPIM contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements.

The Group's property portfolio comprised 493 (2022: 497) Social Housing properties as at 31 December 2023 in England, Wales and Scotland. The Directors consider that these properties represent a coherent and diversified portfolio with similar economic characteristics and, as a result, these individual properties have been aggregated into a single operating segment. In the view of the Directors there is accordingly one reportable segment under the provisions of IFRS 8. All the Group's properties are engaged in a single segment business with all revenue, assets and liabilities arising in the UK, therefore, no geographical segmental analysis is required by IFRS 8.

## 31. RELATED PARTY DISCLOSURE

### Directors

Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The Chairman receives a Director's fee of £75,000 per annum (2022: £75,000), and the other directors of the Board receive a fee of £50,000 per annum (2022: £50,000). The Directors are also entitled to an additional fee of £7,500 in connection with the production of every prospectus by the Company (including the Issue). This was received by the Directors in 2020 but not in the current year as no prospectus was produced.

Dividends of the following amounts were paid to the Directors during the year:

Chris Phillips: £2,995 (2022: £2,960)

Peter Coward: £4,372 (2022: £4,266)

Tracey Fletcher-Ray: £2,060 (2022: £2,036)

Paul Oliver: dividends received in the year until resignation £2,128 (2022: £4,206)

No shares were held by Ian Reeves & Cecily Davis as at 31 December 2023 (31 December 2022: nil).

### Investment Manager

The Company considers Triple Point Investment Management LLP (the 'Investment Manager') as a key management personnel and therefore a related party. Further details of the investment management contract and transactions with the Investment Manager are disclosed in Note 8 and 9.

## 32. CONSOLIDATED ENTITIES

The Group consists of a parent Company, Triple Point Social Housing REIT plc, incorporated in the UK and a number of subsidiaries held directly by the Company, which operate and are incorporated in the UK. The principal place of business of each subsidiary is the same as their place of incorporation.

The Group owns 100% of the equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the Board of those subsidiaries. The relevant activities of the below subsidiaries are determined by the Board based on simple majority votes. Therefore, the Directors of the Company concluded that the Company has control over all these entities and all these entities have been consolidated within these financial statements. The principal activity of all the subsidiaries relates to property investment.

The subsidiaries listed below were held as at 31 December 2023:

Name of Entity	Registered Office	Country of Incorporation	Ownership %
TP REIT Super Holdco Limited*	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Holdco 1 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Holdco 2 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Holdco 3 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Holdco 4 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Holdco 5 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Propco 2 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Propco 3 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Propco 4 Limited	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Propco 5 Limited	1 King William Street, London, EC4N 7AF	UK	100%
Norland Estates Limited	1 King William Street, London, EC4N 7AF	UK	100%

\* indicates entity is a direct subsidiary of Triple Point Social Housing REIT plc.

## 33. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future periods. The Board oversees the management of these risks. The Board's policies for managing each of these risks are summarised below.

### 33.1. Market risk

The Group's activities will expose it primarily to the market risks associated with changes in property values.

#### Risk relating to investment in property

Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- changes in the general economic climate;
- competition for available properties;
- obsolescence; and
- Government regulations, including planning, environmental and tax laws.

Variations in the above factors can affect the valuation of assets held by the Group and as a result can influence the financial performance of the Group.

The factors mentioned above have not had a material impact on the valuations of the investment properties as at 31 December 2023, and are not expected to in the immediate future, but will continue to be monitored closely.

Please refer to the Corporate Social Responsibility Report in the Annual Report for further information on Environmental Policy which may affect the investment property valuations going forward. There was no impact on the valuations in the year ended 31 December 2023 from climate change factors, given that there is little measurable impact on inputs at present.

### 33.2. Interest rate risk

The Group's debt at 31 December 2023 does not have any exposure to interest rate risk.

### 33.3. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from both its leasing activities and financing activities, including deposits with banks and other institutions as detailed in notes 17 and 20.

#### Credit risk related to financial instruments and cash deposits

One of the principal credit risks the Group faces arises with the funds it holds with banks and other institutions. At 31 December 2023 the Group has £29.5 million in current accounts held at banks, see note 17. The Board believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks and institutions with high credit ratings.

In August 2023, Fitch has assigned the Company an Investment Grade Long-Term Issuer Default Rating of 'A-' with a stable outlook, and a senior secured rating of 'A' for the Group's new Loan Notes, see note 20.

All financial assets are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in notes 15 and 16.

#### Credit risk related to leasing activities

In respect of property investments, in the event of a default by a tenant, the Group will suffer a rental shortfall and additional costs concerning re-letting the property to another Social Housing Registered Provider. Credit risk is primarily managed by testing the strength of covenant of a tenant prior to acquisition and on an ongoing basis. The Investment Manager also monitors the rent collection in order to anticipate and minimise the impact of defaults by occupational tenants. Outstanding rent receivables are regularly monitored, the balance of outstanding rent at 31 December 2023 was £2.4 million after a provision for the expected credit loss.

The Group has leases in place with ten Registered Providers that have been deemed non-compliant by the Regulator of Social Housing (RSH) as at 31 December 2023 (2022: 10). We continue to conduct ongoing due diligence on all Registered Providers and all rents payable under these leases have been paid. We continue to monitor and maintain a dialogue with the Registered Providers as they work with advisers and the RSH to implement a financial and governance improvement action plan in order to address the RSH's concerns. The Board believes that the credit risk associated with the non-compliant rating is limited.

Rent receivable is the Group's only financial asset that is subjected to the expected credit loss model. While the Group has other financial assets that are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

### 33.4. Liquidity risk

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Group ensures, through forecasting of capital requirements, that adequate cash is available to fund the Group's operating activities on a weekly basis. Upcoming cash requirements are compared to existing cash reserves available, followed by discussions around optimal cash management opportunities in order to best manage liquidity risk.

The following table details the Group's liquidity analysis:

		3-12	1-5	> 5	
31 December 2023	< 3 months	Months	years	years	Total
	£'000	£'000	£'000	£'000	£'000
Headleases (note 28)	10	30	160	7,197	7,397
Trade and other payables	2,487	195	-	-	2,682
Bank and other borrowings (note 20):					
- Fixed interest rate	-	-	41,500	222,000	263,500
- Variable interest rate	-	-	-	-	-
Interest payable on bank and other borrowings:					
- Fixed interest rate	1,804	5,413	28,263	33,913	69,393
- Variable interest rate	-	-	-	-	-
	<b>4,301</b>	<b>5,638</b>	<b>69,923</b>	<b>263,110</b>	<b>342,972</b>

		3-12	1-5	> 5	
31 December 2022	< 3 months	Months	years	years	Total
	£'000	£'000	£'000	£'000	£'000
Headleases (note 28)	10	30	160	7,242	7,442
Trade and other payables	2,880	105	95	-	3,080
Bank and other borrowings (note 20):					
- Fixed interest rate	-	-	-	263,500	263,500
- Variable interest rate	-	-	-	-	-
Interest payable on bank and other borrowings:					
- Fixed interest rate	1,804	5,413	28,869	40,523	76,609
- Variable interest rate	-	-	-	-	-
	<b>4,694</b>	<b>5,548</b>	<b>29,124</b>	<b>311,265</b>	<b>350,631</b>

### 33.5. Financial instruments

The Group's principal financial assets and liabilities, which are all held at amortised cost, are those that arise directly from its operation: trade and other receivables, trade and other payables, headleases, borrowings and cash, cash equivalents and restricted cash.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are included in the financial statements:

	Book value	Fair value	Book value	Fair value
	31 December 2023	31 December 2023	31 December 2022	31 December 2022
	£'000	£'000	£'000	£'000
<b>Financial liabilities:</b>				
Borrowings	261,183	205,078	261,088	190,314

### 34. POST BALANCE SHEET EVENTS

In February 2024, the Company agreed to extend a creditor agreement with Parasol (9.7% of our Company revenues) on similar terms for a further six months whilst we finalise a longer-term agreement with Parasol that should see rent paid to the Group by Parasol increase over time. The original agreement was effective from the 1 July 2023 and was reflective of the level of rent being received by Parasol at the time. Parasol have consistently met the terms of the agreement.

On 7 March 2024, the Company declared an interim dividend of 1.365 pence per Ordinary share for the period 1 October 2023 to 31 December 2023. The total dividend of £5,370,818 will be paid on or around 29 March 2024 to Ordinary shareholders on the register on 15 March 2024.

### 35. CAPITAL COMMITMENTS

The Group does not have capital commitments in both the prior year and the current year.

### 36. EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments outstanding, both basic and diluted earnings per share are the same.

The calculation of basic and diluted earnings per share is based on the following:

	Year ended 31 December 2023	Year ended 31 December 2022
<b>Calculation of Basic Earnings per share</b>		
Net profit attributable to Ordinary Shareholders (£'000)	34,989	24,902
Weighted average number of Ordinary Shares (excluding treasury shares)	397,007,975	402,789,002



IFRS Earnings per share - basic and diluted	8.81p	6.18p
<b>Calculation of EPRA Earnings per share</b>		
Net profit attributable to Ordinary Shareholders (£'000)	34,989	24,902
Gain from fair value adjustment on investment properties (£'000)	(15,477)	(8,264)
One-off write-off of arrangement fees on the cancelled RCF	-	2,619
<b>EPRA earnings (£'000)</b>	<b>19,512</b>	<b>19,257</b>
<u>Non cash adjustments to include:</u>		
Amortisation of loan arrangement fees (£'000)	307	1,006
Movement in Lease Incentive Debtor	(1,500)	(636)
<b>Adjusted earnings (£'000)</b>	<b>18,319</b>	<b>19,627</b>
Weighted average number of Ordinary Shares (excluding treasury shares)	397,007,975	402,789,002
<b>EPRA earnings per share - basic and diluted</b>	<b>4.92p</b>	<b>4.78p</b>
<b>Adjusted earnings per share - basic and diluted</b>	<b>4.61p</b>	<b>4.87p</b>

Adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. The metric adjusts EPRA earnings for non cash items, including amortisation of ongoing loan arrangement fees and the movement in the lease incentive debtor. In prior years the movement in lease incentive debtor has not been reflected in the calculation of adjusted earnings as it was not material. The comparative has been restated for consistency. The Board sees these adjustments as a reflection of actual cashflows which are supportive of dividend payments. The Board compares the Adjusted earnings to the available distributable reserves when considering the level of dividend to pay.

### 37. NET ASSET VALUE PER SHARE

Basic Net Asset Value ("NAV") per share is calculated by dividing net assets in the Group Statement of Financial Position attributable to Ordinary Shareholders of the Company by the number of Ordinary Shares outstanding at the end of the period. Although there are no dilutive instruments outstanding, both basic and diluted NAV per share are disclosed below.

Net asset values have been calculated as follows:

	31 December 2023	31 December 2022
Net assets at the end of the year (£'000)	447,617	439,285
Shares in issue at end of the year (excluding treasury shares)	393,466,490	402,789,002
Dilutive shares in issue	-	-
<b>IFRS NAV per share - basic and dilutive</b>	<b>113.76p</b>	<b>109.06p</b>

### 38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to minimise the cost of capital.

The Group considers proceeds from share issuance, bank and other borrowings and retained earnings as capital.

Until the Group is fully invested and pending re-investment or distribution of cash receipts, the Group will invest in cash equivalents, near cash instruments and money market instruments.

The level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, whilst maintaining the flexibility in the underlying security requirements and the structure of both the investment property portfolio and the Group.

The Directors currently intend that the Group should target a level of aggregate borrowings over the medium term equal to approximately 40% of the Group's Gross Asset Value. The aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 50% of the Gross Asset Value.

The initial fixed rate facility with MetLife requires an asset cover ratio of x2.00 (amended from previous covenant of x2.25 in August 2021 to bring more in line with the ACR covenant in the new Note Purchase Agreement with MetLife and Barings) and an interest cover ratio of x1.75. At 31 December 2023, the Group was fully compliant with both covenants with an asset cover ratio of x2.81 (2022: x2.77) and an interest cover ratio of x4.63 (2022: x5.02).

The subsequent facility with MetLife and Barings requires an asset cover ratio of x1.67 and an interest cover ratio of x1.75. At 31 December 2023, the Group was fully compliant with both covenants with an asset cover ratio of x2.01 (2022: x2.10) and an interest cover ratio of x4.26 (2022: x4.41).

### UNAUDITED PERFORMANCE MEASURES

#### 1. EPRA Net Reinstatement Value

	31 December 2023	31 December 2022
IFRS NAV/EPRA NAV (£'000)	447,617	439,285
Include:		
Real Estate Transfer Tax* (£'000)	41,962	41,283
<b>EPRA Net Reinstatement Value (£'000)</b>	<b>489,579</b>	<b>480,568</b>
Fully diluted number of shares	393,446,490	402,789,002
<b>EPRA Net Reinstatement value per share</b>	<b>124.43p</b>	<b>119.31p</b>
* Purchasers' costs		

## 2. EPRA Net Disposal Value

	31 December 2023	31 December 2022
IFRS NAV/EPRA NAV (£'000)	447,617	439,285
Include:		
Fair value of debt* (£'000)	56,106	70,774
<b>EPRA Net Disposal Value (£'000)</b>	<b>503,723</b>	<b>510,059</b>
Fully diluted number of shares	393,446,490	402,789,002
<b>EPRA Net Disposal Value**</b>	<b>128.02p</b>	<b>126.63p</b>

\* Difference between interest-bearing loans and borrowings included in Group Statement of Financial Position at amortised cost, and the fair value of interest-bearing loans and borrowings.

\*\*Equal to the EPRA NNNAV disclosed in previous reporting periods.

## 3. EPRA Net Tangible Assets

	31 December 2023	31 December 2022
IFRS NAV/EPRA NAV (£'000)	447,617	439,285
<b>EPRA Net Tangible Assets (£'000)</b>	<b>447,617</b>	<b>439,285</b>
Fully diluted number of shares	393,446,490	402,789,002
<b>EPRA Net Tangible Assets *</b>	<b>113.76p</b>	<b>109.06p</b>

\*Equal to IFRS NAV and previous EPRA NAV metric as none of the EPRA Net Tangible Asset adjustments are applicable as at 31 December 2023 or 31 December 2022.

## 4. EPRA net initial yield (NIY) and EPRA "topped up" NIY

	31 December 2023 £'000	31 December 2022 £'000
Investment properties - wholly-owned (excluding head lease ground rents)	674,033	666,253
Less: development properties	-	-
<b>Completed property portfolio</b>	<b>674,033</b>	<b>666,253</b>
Allowance for estimated purchasers' costs	41,962	41,283
<b>Gross up completed property portfolio valuation</b>	<b>715,995</b>	<b>707,536</b>
Annualised passing rental income	39,912	38,626
Property outgoings	-	-
<b>Annualised net rents</b>	<b>39,912</b>	<b>38,626</b>
Contractual increases for lease incentives	1,059	349
<b>Topped up annualised net rents</b>	<b>40,971</b>	<b>38,975</b>
<b>EPRA NIY</b>	<b>5.57%</b>	<b>5.46%</b>
<b>EPRA Topped Up NIY</b>	<b>5.72%</b>	<b>5.51%</b>

## 5. ONGOING CHARGES RATIO

31 December 2023 £'000	31 December 2022 £'000
---------------------------	---------------------------

Annualised ongoing charges	7,242	7,018
Average undiluted net assets	443,451	437,699
<b>Ongoing charges</b>	<b>1.63%</b>	<b>1.60%</b>

#### 6. EPRA VACANCY RATE

	<b>31 December 2023</b> <b>£'000</b>	<b>31 December 2022</b> <b>£'000</b>
Estimated Market Rental Value (ERV) of vacant spaces	138	-
Estimated Market Rental Value (ERV) of whole portfolio	40,971	38,975
<b>EPRA Vacancy Rate</b>	<b>0.33%</b>	<b>-</b>

#### 7. EPRA COST RATIO

	<b>31 December 2023</b> <b>£'000</b>	<b>31 December 2022</b> <b>£'000</b>
Total administrative and operating costs	8,208	7,866
Gross rental income	39,839	37,300
<b>EPRA cost ratio</b>	<b>20.60%</b>	<b>21.09%</b>

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