

HOME REIT PLC

INITIAL ACCOUNTS

FOR THE PERIOD FROM INCORPORATION ON 19 AUGUST 2020 TO 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH SECTION 839 OF THE COMPANIES ACT 2006

COMPANY NO. 12822709

WEDNESDAY



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**HOME REIT PLC  
INITIAL ACCOUNTS  
FOR THE PERIOD FROM 19 AUGUST 2020 TO 31 DECEMBER 2020**

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**HOME REIT PLC  
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**Officers and Professional Advisers**

|   |   |
|---|---|
| <b>The Board of Directors</b>                                       | Lynne Fennah (Non-executive Chairman)<br>Marlene Wood (Non-executive Director)<br>Peter Cardwell (Non-executive Director)<br>Simon Moore (Non-executive Director) |
| <b>Registered office</b>  | Home REIT PLC<br>6 <sup>th</sup> Floor<br>Bastion House<br>140 London Wall<br>London<br>EC2Y 5DN  |
| <b>AIFM</b>   | Alvarium Fund Managers (UK) Limited<br>10 Old Burlington Street<br>London<br>W1S 3AG  |
| <b>Investment Adviser</b>   | Alvarium Home REIT Advisors Limited<br>10 Old Burlington Street<br>London<br>W1S 3AG  |
| <b>Broker, Placing Agent and Intermediaries<br/>Placing Adviser</b> | Alvarium Securities Limited<br>10 Old Burlington Street<br>London<br>W1S 3AG  |
| <b>Legal Adviser to the Company</b>                                 | Stephenson Harwood LLP<br>1 Finsbury Circus<br>London<br>EC2M 7SH   |
| <b>Administrator and Company Secretary</b>                          | Apex Fund and Corporate Services (UK) Limited<br>6th Floor<br>Bastion House<br>140 London Wall<br>London<br>EC2Y 5DN  |
| <b>Depository</b>   | Apex Depository (UK) Limited<br>6th Floor<br>Bastion House<br>140 London Wall<br>London<br>EC2Y 5DN   |
| <b>Auditor</b>  | BDO LLP<br>55 Baker Street<br>London<br>W1U 7EU   |
| <b>Independent Valuer</b>   | Knight Frank LLP<br>55 Baker Street<br>Marylebone<br>London<br>W1U 8AN  |

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**Statement of Directors' responsibilities**

The Directors are responsible for preparing the initial accounts and the financial statements in accordance with applicable law and regulations. They are required to be properly prepared within the meaning of Section 839(4) of the Companies Act 2006.

Under that law the Directors have elected to prepare the initial financial information in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

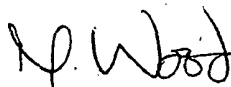
In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the initial accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.



.....  
Marlene Wood  
Director

Signed by order of the Board on 12 February 2021  
Home REIT PLC

Registered office:  
6<sup>th</sup> Floor, Bastion House, 140 London Wall  
EC2Y 5DN, United Kingdom

Company Registration Number: 12822709

**HOME REIT PLC  
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**Report of the independent auditor to the directors of Home REIT PLC under section 839(5) of the Companies Act 2006**

We have examined the initial accounts of Home REIT PLC for the period from 19 August 2020 to 31 December 2020, which comprise the statement of comprehensive income, the statement of financial position, statement of changes in equity, statement of cash flows, and the related notes. The initial accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's directors, as a body, in accordance with section 839(5) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the directors are responsible for the preparation of the initial accounts in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Our responsibility is to report to you our opinion as to whether the initial accounts have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

**Opinion**

In our opinion the initial accounts for the period from 19 August 2020 to 31 December 2020 have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

*BDO LLP*

.....  
**Thomas Edward Goodworth (Senior Statutory Auditor)**  
**For and on behalf of BDO LLP, Statutory Auditor**  
**London**  
**United Kingdom**

.....  
12 February 2021  
.....

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

HOME REIT PLC  
 INITIAL ACCOUNTS  
 FOR THE PERIOD FROM 19 AUGUST 2020 TO 31 DECEMBER 2020

Statement of Comprehensive Income

|  | Note | 19 August 2020 to<br>31 December 2020<br>£ |
|--|------|--|
| <b>Income</b>  |      |  |
| Rental income  | 3    | 114,187                                    |
| <b>Total Income</b>  |      | <u>114,187</u>                             |
| <b>Operating expenses</b>                                  |      |  |
| General and administrative expenses                        | 4    | (787,334)                                  |
| <b>Total Expenses</b>                                      |      | <u>(787,334)</u>                           |
| Change in fair value of investment property                | 6    | 482,550                                    |
| <b>Operating loss for the period before tax</b>            |      | <u>(190,597)</u>                           |
| Taxation   | 5    | -  |
| <b>Comprehensive loss for the period</b>                   |      | <u>(190,597)</u>                           |
| <b>Loss per share – basic and diluted (GBP per share)*</b> |      | <u>(0.001)</u>                             |

\*Based on the weighted average number of ordinary shares in issue in the period from the commencement of the Company's operations on 12 October 2020 to 31 December 2020.

All items in the above statement derive from continuing operations.

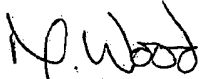
The notes on pages 8 to 22 form part of these financial statements.

**HOME REIT PLC  
INITIAL ACCOUNTS  
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**Statement of Financial Position as at 31 December 2020**

|   | Note | As at 31 December<br>2020<br>£ |
|---|------|--------------------------------|
| <b>Non-Current Assets</b>   |      |                                |
| Investment property   | 6    | 9,465,000                      |
| Investment in subsidiaries  | 7    | 10,390,242                     |
| Amounts due from subsidiaries   | 8    | 142,547,796                    |
| <b>Total non-current assets</b>   |      | <u>162,403,038</u>             |
| <b>Current Assets</b>   |      |                                |
| Trade and other receivables   | 8    | 141,581                        |
| Cash and cash equivalents   | 9    | 73,423,896                     |
| <b>Total current assets</b>   |      | <u>73,565,477</u>              |
| <b>Total Assets</b>   |      | <u>235,968,515</u>             |
| <b>Current Liabilities</b>  |      |                                |
| Trade and other payables  | 10   | (400,056)                      |
| <b>Total current liabilities</b>  |      | <u>(400,056)</u>               |
| <b>Total liabilities</b>  |      | <u>(400,056)</u>               |
| <b>Net assets</b>   |      | <u>235,568,459</u>             |
| <b>Capital and Reserves</b>   |      |                                |
| Share capital   | 12   | 2,405,705                      |
| Special distributable reserve   | 14   | 233,353,351                    |
| Retained earnings   |      | (190,597)                      |
| <b>Total capital and reserves attributable to equity holders of the company</b> |      | <u>235,568,459</u>             |

The financial statements were approved by the Board of Directors on 12 February 2021 and signed on their behalf by

  
.....  
Marlene Wood  
Director

Company Registration Number: 12822709

The notes on pages 8 to 22 form part of these financial statements.

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Statement of Changes in Shareholders' Equity

| For the period ended<br>31 December 2020 | Note | Share<br>capital<br>account<br>£ | Share<br>premium<br>account<br>£ | Distributable<br>reserve<br>£ | Retained<br>earnings<br>£ | Total equity<br>attributable to<br>owners of the<br>company<br>£ |
|--|------|----------------------------------|----------------------------------|-------------------------------|---------------------------|--|
| Comprehensive<br>Income for the period   |      | -                                | -                                | -                             | (190,597)                 | (190,597)  |
| <b>Transactions with owners</b>          |      |                                  |                                  |                               |                           |  |
| Share capital issued                     | 12   | 2,405,705                        | 238,164,760                      | -                             | -                         | 240,570,465  |
| Share issue costs                        | 13   | -                                | (4,811,409)                      | -                             | -                         | (4,811,409)  |
| Cancellation of share<br>premium         | 14   | -                                | (233,353,351)                    | 233,353,351                   | -                         | -  |
| <b>Balance at 31 December 2020</b>       |      | <b>2,405,705</b>                 | <b>-</b>                         | <b>233,353,351</b>            | <b>(190,597)</b>          | <b>235,568,459</b>   |

240,570,465 shares were issued in the period under review.

The notes on pages 8 to 22 form part of these financial statements.

HOME REIT PLC  
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Statement of Cash Flow

|  | Note | For the period<br>ended<br>31 December 2020<br>£ |
|--|------|--|
| <b>Cash flows from operating activities</b>            |      |  |
| Loss before tax  |      | (190,597)  |
| Less: Change in fair value of investment property      | 6    | (482,550)  |
| <b>Operating result before working capital changes</b> |      | <u>(673,147)</u>                                 |
| Increase in trade and other receivables                | 8    | (141,581)  |
| increase in trade and other payables                   | 10   | 400,056  |
| <b>Net cash flow used in operating activities</b>      |      | <u>(414,672)</u>                                 |
| <b>Cash flows from investing activities</b>            |      |  |
| Purchase of investment properties                      | 6    | (8,982,450)                                      |
| Investment in subsidiaries                             | 7    | (10,390,242)                                     |
| Intercompany loans advanced to subsidiaries            | 8    | (142,547,796)                                    |
| <b>Net cash used in investing activities</b>           |      | <u>(161,920,488)</u>                             |
| <b>Cash flows from financing activities</b>            |      |  |
| Proceeds from issue of share capital                   | 12   | 2,405,705  |
| Proceeds from issue of share premium                   | 13   | 238,164,760                                      |
| Share issue costs                                      | 13   | (4,811,409)                                      |
| <b>Net cash generated from financing activities</b>    |      | <u>235,759,056</u>                               |
| <b>Net increase in cash and cash equivalents</b>       |      | 73,423,896                                       |
| Cash and cash equivalents at beginning of the period   |      | -  |
| <b>Cash and cash equivalents at end of the period</b>  | 9    | <u>73,423,896</u>                                |

The notes on pages 8 to 22 form part of these financial statements.

**HOME REIT PLC  
INITIAL ACCOUNTS  
FOR THE PERIOD FROM 19 AUGUST 2020 TO 31 DECEMBER 2020**

**Notes**

**1. General information**

Home REIT PLC (the "Company") is a closed-ended investment company, incorporated in England and Wales on 19 August 2020 and is registered as a public company limited by shares under the Act with registered number 12822709. The company commenced operations on 12 October 2020 when its shares commenced trading on the London Stock Exchange.

The Company intends to carry on business as a REIT with an investment objective to deliver inflation-protected income and capital growth over the medium-term for Shareholders through funding the acquisition and creation of high quality homeless accommodation across the UK let on long-term index-linked leases.

**2. Accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period.

**2.1. Basis of preparation of financial statements**

These financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before the implementation period completion day (i.e. the end of the transition period), including where the Company also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

These financial statements are representative of the Company and not the consolidated group. The comparative presentation is not required in the current year of commencement of operations.

**Changes to accounting standards and interpretations**

At the date of authorisation of the financial statements, there were a number of standards and interpretations which were in issue but not yet effective. The Company has assessed the impact of these amendments and has determined that the application of these amendments and interpretations in current and future periods will not have a significant impact on its financial statements.

| Description   | Effective Date |
|---|----------------|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2   | 1 January 2021 |
| Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets | 1 January 2022 |
| Annual Improvements to IFRSs (2018-2020 Cycle) - IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, IAS 41                               | 1 January 2022 |
| Amendments to IAS 1 : Classification of Liabilities as Current or Non-current   | 1 January 2023 |

HOME REIT PLC  
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Notes (continued)

2. Accounting policies (continued)

2.1. Basis of preparation of financial statements (continued)

Changes to accounting standards and interpretations (continued)

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**

These amendments complement those made in 2019 ('IBOR – phase 1') and focus on the effects on entities when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. They relate to changes to contractual cash flows whereby a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; to hedge accounting, so that a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and disclosures, as a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

**Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

IFRS 3 - The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

IAS 16 - The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

IAS 37 - The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**Annual Improvements to IFRSs (2018-2020 Cycle) - IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, IAS 41**

IFRS 1 - Simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards after its parent company has already adopted them. The amendment relates to the measurement of cumulative translation differences.

IFRS 9 - Clarifies the fees a company includes in assessing the terms of a new or modified financial liability to determine whether to derecognise a financial liability.

Illustrative Examples accompanying IFRS 16 Leases - Removes the potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16.

IAS 41 Agriculture - Aligns the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

**Amendments to IAS 1 : Classification of Liabilities as Current or Non-current**

IAS 1 intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow-scope in nature and are meant to clarify the requirements in IAS 1 rather than modify the underlying principles. It mainly guide how events after the end of the reporting period affect liability classification, what the rights of an entity must be in order to classify a liability as non-current, how an entity assesses compliance with conditions of a liability and how conversion features in liabilities affect their classification.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**HOME REIT PLC  
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**Notes (continued)**

**2. Accounting policies (continued)**

**Going Concern**

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for at least a period of 12 months from the date when the financial statements are authorised for issue. Furthermore, as the Company has a robust Statement of Financial Position and lets properties on long-term index-linked leases which give rise to strong current and projected future cash flows, the Directors consider that any negative impact on the Company's financial position as a result of Covid 19 will be minimal. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

**2.2. Significant accounting judgements and estimates**

The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**Valuation of investment properties**

The valuation of the Company's investment property is at fair value as at 31 December 2020 as determined by the Directors following guidance from an independent expert external valuer. Please see note 6 for details of the Directors investment property valuation.

**2.3. Summary of significant accounting policies**

The principal accounting policies applied in the presentation of these financial statements are set out below.

**a) Presentation and functional currency**

The primary objective of the Company is to generate returns in Sterling, its capital-raising currency. The Company's performance is evaluated in Sterling. Therefore, the Directors consider Sterling as the currency that appropriately represents the economic effects of the underlying transactions, events and conditions and it has therefore adopted as the presentation and functional currency.

**b) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank, cash held by lawyers and short-term deposits with an original maturity of three months or less.

**c) Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure. The Company aims to ensure that sufficient capital is available for a programme of investment in a pipeline of assets and that these investments generate sufficient forecasted income such that dividends may be maintained to shareholders at the appropriate rate to ensure REIT status is preserved.

**HOME REIT PLC  
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**Notes (continued)**

**2. Accounting policies (continued)**

**2.3. Summary of significant accounting policies (continued)**

**d) Other payables and accrued expenses**

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

**e) Taxation**

Taxation on the profit or loss for the period not exempt under UK REIT regulations would comprise of current and deferred tax. Tax would be 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 would be recognised as a direct movement in equity. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

**f) Investment in subsidiaries**

The investments in subsidiary companies are included in the Company's statement of financial position at cost less provision for impairment.

**g) Dividend payable to shareholders**

Dividends to the Company's shareholders are recognised as a reduction in equity in the financial statements in the period in which the dividends are approved.

**h) Share issue costs**

The costs of issuing or reacquiring equity instruments of the Company are accounted for as a deduction from equity.

**i) Leases - the Company as 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 Company has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases. Properties leased out under operating leases are included in investment property in the statement of financial position. Rental income from operating leases is recognised on a straight line basis over the expected term of the relevant leases.

**j) Business combinations**

The Company adopted the amendments to IFRS 3 (effective 1 January 2020) in the current period. Under the amendments of IFRS 3, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business has been added. The Company opted to apply the concentration test in the period to all of its corporate acquisitions, concluding these to be treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

**HOME REIT PLC  
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Notes (continued)

**2. Accounting policies (continued)**

**2.3. Summary of significant accounting policies (continued)**

**k) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

**Rental income**

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term after the spreading of index-based rental increases on such leases and is included in rental income in the statement of comprehensive income due to its operating nature. The Company's main source of revenue is rental income earned from its investment properties, which is excluded from the scope of IFRS 15.

**2.4 Financial instruments**

**a. Financial assets**

The Company classifies its financial assets as fair value through profit or loss or amortised cost, depending on the purpose for which the asset was acquired and based on the business model test. There are no financial assets held at fair value through profit or loss. The Company's accounting policy for financial assets classified as amortised cost is as follows:

**Amortised cost**

These assets arise principally from the provision of goods and services to customers (e.g. rent receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost being the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables (rental income) 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.

Impairment provisions for other receivables, including intercompany loans, are recognised based on the general approach within IFRS 9 and a loss allowance for lifetime expected credit losses is recognized if there has been a significant increase in credit risk since initial recognition of the financial asset.

The Company's financial assets measured at amortised cost comprise rent receivable, intercompany loans and receivables, restricted cash and cash and cash equivalents in the statement of financial position. Cash and cash equivalents comprise cash in hand and deposits held at call with banks, it also includes cash held by lawyers for subsequent completions.

HOME REIT PLC  
INITIAL ACCOUNTS  
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Notes (continued)

2. Accounting policies (continued)

2.4. Financial instruments (continued)

b. Financial liabilities

The Company classifies its financial liabilities as fair value through profit or loss or other financial liabilities, depending on the purpose for which the liability was acquired and based on the business model test. There are no financial liabilities held at fair value through profit or loss. The Company's accounting policy for financial liabilities classified as other financial liabilities is as follows:

**Other financial liabilities**

Trade and other payables that are financial liabilities are initially recognised at fair value. Where a financing component is identified in respect of long term payables the fair value is calculated with reference to an imputed interest rate and subsequently amortised using the effective interest rate method. Short term financial liabilities are carried at their expected settlement value.

The Company's financial liabilities comprise of trade and other payables only.

c. Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

d. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. For the initial accounts, the assessment of the probability of default and loss given default has been based on current and forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Expected credit losses are recognised in other expenses in the statement of comprehensive income.

2.5. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially carried at fair value as determined by the Directors. This valuation includes reference to the initial consideration given, including expenditure that is directly attributable to the acquisition of the investment property, and independent expert guidance. At mid-year and year-end, investment property is valued by an independent valuer and is stated at its fair value as at the reporting 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 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 from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is incurred in profit or loss in the period in which the property is derecognised.

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**Notes (continued)**

**2. Accounting policies (continued)**

**2.6. Fair Value hierarchy**

In accordance with IFRS 13, the Company recognises investment properties at fair value at each balance sheet date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Specifically:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period. Please see note 6.

**3. Rental income**

|  | 19 August 2020<br>to 31 December 2020 |
|--|---------------------------------------|
| Rental income from investment property | £<br>114,187                          |
| <b>Total</b>                           | <b>114,187</b>                        |

Includes amounts receivable in respect of property rental income and is measured at the fair value of the consideration received or receivable. The future minimum rents receivable under non-cancellable operating leases are:

|  |              | £                 |
|--|--------------|-------------------|
| Future minimum rents receivable in the period: | Year 1       | 537,692           |
|  | Year 2       | 543,069           |
|  | Year 3       | 548,499           |
|  | Year 4       | 553,984           |
|  | Year 5       | 559,524           |
|  | > 5 years    | 9,096,669         |
|  | <b>Total</b> | <b>11,839,437</b> |

20 year leases (with an option to renew for a further 5 years) were granted on the date of acquisition of the properties by the Company, with an annual CPI-linked rent review scheduled on the annual anniversary of the lease being granted. A collar of 1% and a cap of 4% is applicable to these reviews. Rental income is recognised on a straight line basis over the expected term of the relevant lease.

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**Notes (continued)**

**4. General and administrative expenses**

|  | <b>19 August 2020<br/>to 31 December 2020</b> |
|--|---|
|  | <b>£</b>                                      |
| Investment adviser fee                           | 443,768                                       |
| Audit fee  | 95,000  |
| Board and Directors fee                          | 36,571  |
| Administrative expenses                          | 185,718                                       |
| General expenses                                 | 26,277  |
| <b>Total general and administrative expenses</b> | <b>787,334</b>                                |

Fees payable to the auditor of the Company relate to the Initial Accounts audit fees of £35,000 and an accrual for fees payable for audit procedures at the mid-year and the year-end of £60,000. The Company also incurred additional non-audit fees of £75,000 from the auditor related to the admission on the London Stock Exchange which have been treated as a reduction in Equity as share issue costs (see note 13).

**5. Taxation**

The Company is a real estate investment trust ("REIT") and as a result the profit and gains arising from the Company's property rental business are exempt from UK corporation tax provided it meets certain conditions as set out in the UK REIT regulations. Profits arising from any residual activities (e.g. trading activities and interest income), after the utilisation of any available residual tax losses, are subject to corporation tax at the main rate of 19% for the year.

|   | <b>19 August 2020<br/>to 31 December 2020</b> |
|---|---|
|   | <b>£</b>                                      |
| Current tax                                       | -   |
| Origination and reversal of temporary differences | -   |
| Total deferred tax                                | -   |
| <b>Tax charge</b>                                 | <b>-</b>                                      |

**Reconciliation of the total tax charge**

The reconciliation of profit before tax multiplied by the standard rate of corporation tax for the half-year of 19% to the total tax charge in the statement of comprehensive income is as follows:

|   | <b>19 August 2020<br/>to 31 December 2020</b> |
|---|---|
|   | <b>£</b>                                      |
| Loss before tax                                       | (190,597)                                     |
| Tax at the standard rate of UK corporation tax of 19% | (36,213)                                      |
| <b>Effect of:</b>                                     |   |
| REIT exempt income and gains                          | 127,898                                       |
| Revaluation of investment properties                  | (91,685)                                      |
| <b>Tax charge</b>                                     | <b>-</b>                                      |

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

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Notes (continued)

**6. Investment property**

|   | <b>Freehold<br/>Investment<br/>Property<br/>£</b> |
|---|---|
| Property acquisitions in the period         | 8,982,450   |
| Change in fair value of investment property | 482,550   |
| <b>Fair value at 31 December 2020</b>       | <b>9,465,000</b>                                  |

The properties are held at fair value as determined by the Directors as at 31 December 2020. An external valuation of the investment properties will be conducted as at 28 February 2021 for the purposes of the mid-year group accounts. All corporate acquisitions during the period have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses (see note 2).

The Company's investment policy targets inflation-protected income and capital returns by investing in a diversified portfolio of homeless accommodation assets, let or pre-let to registered charities, housing associations, community interest companies and other regulated organisations that receive housing benefit or comparable funding from local or central government, on long-term and index-linked leases. The Company will neither undertake any direct development activity nor assume direct development risk.

The Company will focus on delivering capital growth by holding assets over the long term and therefore it is unlikely that the Company will dispose of any part of its portfolio. In the unlikely event that a part of the portfolio is disposed of, the Directors intend to reinvest proceeds from such disposals in assets in accordance with the Company's investment policy.

The Company classifies all assets measured at fair value as below:

**Fair value hierarchy**

|                                | Date of acquisition | Total     | Quoted prices in active markets (level 1) | Significant observable inputs (level 2) | Significant unobservable inputs (level 3) |
|--------------------------------|---------------------|-----------|---|---|---|
| Assets measured at fair value: |                     | £         | £   | £                                       | £   |
| Investment property            | 15 October 2020     | 9,465,000 | -   | -                                       | 9,465,000                                 |

An independent external valuation of the properties was obtained after the reporting period and this was used as part of the information considered when arriving at a fair value as determined by the Directors as at 31 December 2020.

The following descriptions and definitions relating to valuation techniques and key observable inputs may also be used in determining fair values:

**Valuation techniques: market value method**

Under the market value method the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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Notes (continued)

**6. Investment property (continued)**

**Fair value hierarchy (continued)**

*Unobservable input: passing rent*

The rent at which space could be let in the market conditions prevailing at the date of valuation. Passing rents are dependent upon a number of variables in relation to the Company's property. These include; size, location, tenant covenant strength and terms of the lease.

*Unobservable input: rental growth*

The estimated average increase in rent based on both market estimations and contractual arrangements. A reduction of the estimated future rental growth in the valuation model would lead to a decrease in the fair value of the investment property and an inflation of the estimated future rental growth would lead to an increase in the fair value. No quantitative sensitivity analysis has been provided for estimated rental growth as a reasonable range would not result in a significant movement in fair value.

*Unobservable input: net initial yield*

The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.

*Sensitivities of measurement of significant unobservable inputs*

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

**7. Investment in subsidiaries**

Home REIT PLC, incorporated in the UK, has the following direct and indirect subsidiary undertakings, as at 31 December 2020, which operate and are incorporated in the UK.

|                             | 19 August 2020<br>to 31 December 2020<br>£ |
|-----------------------------|--|
| Additions in the period     | 10,390,242                                 |
| Investments carried forward | <u>10,390,242</u>                          |

The following entities are 100% owned subsidiaries of Home REIT PLC:

| Name   | Country of<br>incorporation | Company<br>number | Date<br>acquired |
|--|-----------------------------|-------------------|------------------|
| Home Holdings 1 Ltd (formerly Grolar Developments SPV 3 Ltd)   | UK                          | 12845638          | 28/10/2020       |
| Home Holdings 2 Ltd (formerly Mears Property Investment 1 Ltd) | UK                          | 12857185          | 03/11/2020       |
| Home Holdings 3 Ltd (formerly Allerton SPV 17 Ltd)             | UK                          | 12875762          | 06/11/2020       |
| Home Holdings 4 Ltd (formerly Grolar Developments SPV 4 Ltd)   | UK                          | 12846849          | 06/11/2020       |

The principal activity of the above subsidiaries of the Company is property investment.

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Notes (continued)

**7. Investment in subsidiaries (continued)**

The following entities are 100% owned subsidiaries of Home Holdings 1 Ltd:

| Name                                | Country of incorporation | Company number | Date acquired |
|-------------------------------------|--------------------------|----------------|---------------|
| Pathway Homes Group (Morecambe) Ltd | UK                       | 12837984       | 13/11/2020    |
| Pathway Homes Group (Stoke) Ltd     | UK                       | 12836668       | 02/12/2020    |
| Pathway Homes Group (Luton) Ltd     | UK                       | 12839362       | 10/12/2020    |
| Fox Alpha SPV Ltd                   | UK                       | 12877435       | 03/12/2020    |
| Grolar Developments SPV 9 Ltd       | UK                       | 13017053       | 08/12/2020    |
| FPI Co 417 Ltd                      | UK                       | 12962578       | 02/12/2020    |
| FPI Co 418 Ltd                      | UK                       | 12962738       | 22/12/2020    |
| FPI.Co 419 Ltd                      | UK                       | 12962766       | 15/12/2020    |

The principal activity of the above subsidiaries of the Company is property investment.

**8. Trade and other receivables**

|   | As at<br>31 December 2020<br>£ |
|---|--------------------------------|
| Inter-company loan agreements - repayable on demand | 25,399,279                     |
| Amounts due from subsidiaries                       | 117,148,517                    |
| <b>Non-Current Assets</b>                           | <b>142,547,796</b>             |
|   | As at<br>31 December 2020<br>£ |
| Tenant receivables                                  | 114,187                        |
| Prepaid expenses                                    | 22,092                         |
| Other receivables                                   | 498                            |
| Other amounts due from subsidiary undertakings      | 3,804                          |
| <b>Current Assets</b>                               | <b>141,581</b>                 |

The Directors analysed the expected credit loss and concluded there was no material exposure for the period ended 31 December 2020.

**9. Cash and cash equivalents**

|  | As at<br>31 December 2020<br>£ |
|--|--------------------------------|
| Cash at bank                           | 59,181,413                     |
| Cash held in escrow account            | 14,242,483                     |
| <b>Total cash and cash equivalents</b> | <b>73,423,896</b>              |

Cash held in escrow account represents amounts held by lawyers for payment in relation to the acquisition of investment properties which are pending completion. The Directors consider the carrying amount of cash and cash equivalent to approximate their fair value.

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Notes (continued)

10. Trade and other payables

|  | As at<br>31 December 2020<br>£ |
|--|--------------------------------|
| Accrued expenses                                 | <u>400,056</u>                 |
| <b>Total other payables and accrued expenses</b> | <u><b>400,056</b></u>          |

The Directors consider the carrying amount of trade and other payables match their fair value.

11. Financial risk management

The Company is exposed to market risk, credit risk and liquidity risk in the current and future periods.

Market risk includes changes in the general economic climate, competition for available properties and Government regulations, including planning, environmental and tax laws. Credit risk includes interest rate risk and the possibility that subsidiary entities may not be able to generate sufficient cash flows to repay the intercompany amounts due to the Company detailed in note 8 above. As at the period end, it was determined that exposure to interest rate risk is not material and furthermore an expected credit loss (ECL) analysis of the intercompany amounts due has determined that there is no material exposure to such risk.

In terms of liquidity risk, the Company manages its liquidity by considering cash flow forecasts and ensuring sufficient cash balances are held to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash in the Company and the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Company ensures, through forecasting of capital requirements, that adequate cash is available.

The Board of Directors oversees the management of these risks and agrees policies for managing each of these risks.

12. Share Capital

|   | As at 31 December<br>2020<br>£ |
|---|--------------------------------|
| Issued and Allotted:                      |                                |
| 240,570,465 ordinary shares of £0.01 each | <u>2,405,705</u>               |

The Company was incorporated on 19 August 2020 when one ordinary share of £0.01 nominal value was issued for £1. On 3 September 2020, a further 50,000 redeemable preference shares of £1 each were issued at £1 per share (quarter paid up). The Company achieved admission to the premium listing segment of the Official List of the London Stock Exchange (the "IPO") on 12 October 2020.

At the date of the Company's IPO, the Company issued and allotted a further 240,570,464 ordinary shares of 1 pence nominal value each at £1 per share. Therefore, 240,570,465 ordinary shares have been issued and fully paid. The redeemable preference shares were redeemed at par and cancelled on the date of the IPO.

**HOME REIT PLC  
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Notes (continued)

**13. Share premium account**

|  | As at 31 December<br>2020 |
|--|---------------------------|
|  | £                         |
| Share premium arising on ordinary shares issued in relation to equity issuance | 238,164,760               |
| Share issue costs  | (4,811,409)               |
| Transfer to special distributable reserve (note 14)                            | <u>(233,353,351)</u>      |
| <b>Balance at end of period</b>  | <b>-</b>                  |

In order to increase distributable reserves available for the payment of future dividends, the Company resolved on 3 September 2020 that, conditional upon Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the Issue be cancelled and transferred to a special distributable reserve.

The Court approved the cancellation of the share premium account on 8 December 2020 and the cancellation was registered with the Registrar of Companies on 9 December 2020 following which the cancellation of the share premium account became effective. Accordingly, the amount of £233,353,351 previously held in the share premium account has been cancelled and credited to a special distributable reserve. The Company may, at the discretion of the Board, pay all or any part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective.

**14. Special distributable reserve**

|   | As at 31 December<br>2020 |
|---|---------------------------|
|   | £                         |
| Balance at beginning of period                | -                         |
| Transfer from share premium account (note 13) | <u>233,353,351</u>        |
| <b>Balance at end of period</b>               | <b><u>233,353,351</u></b> |

**15. Related party transactions**

**AIFM**

Under the terms of the Investment Management Agreement dated 22 September 2020, Alvarium Fund Managers (UK) Limited was appointed as the Alternative Investment Fund Manager (AIFM) to the Company. The AIFM acts as investment manager with responsibility for the management of the assets of the Company in accordance with the investment policy of the Company and the policies and directions of the Board and is regulated in the conduct of investment business by the FCA. Alvarium Fund Managers (UK) Limited is a subsidiary of Alvarium Investments Limited, the ultimate parent company of the Broker and the Investment Adviser to the Company. Under the Investment Management Agreement, the AIFM receives a fee of £40,000 per annum. No performance fee is payable to the AIFM.

**Broker, Placing agent and Intermediaries Placing Adviser**

Alvarium Securities Limited (Alvarium Securities) was appointed on 22 September 2020 to provide corporate broking services to the Company and is a subsidiary of Alvarium Investments Limited, the ultimate parent company of the AIFM and the Investment Adviser. Alvarium Securities are paid an annual retainer fee in the amount of £50,000 by the Company; the Company also incurred additional fees of £3,878,000 from Alvarium Securities in relation to the initial public offering and subsequent admission to the London Stock Exchange. These costs have been treated as a reduction in Equity as share issue costs as shown in note 13.

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**Notes (continued)**

**15. Related party transactions (continued)**

**Investment Adviser**

On 22 September 2020 Alvarium Home REIT Advisors Ltd was appointed as the investment adviser to the Company by entering into the Investment Advisory Agreement with the Company. Under this agreement, the Investment Advisor will advise the Company in relation to the management, investment and reinvestment of the assets of the Company. Alvarium Home REIT Advisors Ltd is a subsidiary of Alvarium Investments Limited, the ultimate parent company of the AIFM and the Broker to the Company

The investment advisory fees shall be an amount calculated in arrears in respect of each month, in each case based upon the net asset value of the Company on the following basis:

- (a) One-twelfth of 0.85 per cent, per calendar month of net asset value up to and including £500 million; and
- (b) One-twelfth of 0.75 per cent per calendar month of net asset value above £500 million up to and including £750 million.
- (c) One-twelfth of 0.65 per cent per calendar month of net asset value above £750 million

The Investment Advisory Agreement may be terminated on 12 months' written notice, such notice to expire on or at any time after the fifth anniversary of 12 October 2020. The Investment Advisory Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency or in the event of a material and continuing breach.

**Directors**

Directors are entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The initial fees are £36,000 for each Director and £50,000 for the Chairman per annum. The Chair of the Audit Committee receives an additional fee of £5,000 per annum. During the period ended 31 December 2020, Directors fees of £36,571 were paid, of which none was payable at the period end.

As detailed in the Prospectus, the Directors subscribed for the below Ordinary Shares at 100p per share during the Company's initial public offering and have therefore held (and continue to hold) beneficial interests in these shares since Admission.

| Director       | Number of Ordinary Shares held | % of Ordinary Shares in issue |
|----------------|--------------------------------|-------------------------------|
| Lynne Fennah   | 50,000                         | 0.021                         |
| Simon Moore    | 36,000                         | 0.015                         |
| Marlene Wood   | 20,000                         | 0.008                         |
| Peter Cardwell | 10,000                         | 0.004                         |

The above Directors were appointed on 3 September 2020. On incorporation on 19 August 2020 William Saunders and Alan Sauvain were appointed as Directors, and subsequently resigned as Directors on 3 September 2020.

**Subsidiaries**

As at 31 December 2020 an amount of £25,399,279 was due to the Company from intercompany loan agreements with its subsidiaries, with such amount being repayable on demand. In addition, £117,152,321 was due as other amounts receivable from advances to subsidiary undertakings. Further details are provided in note 8. The Company's subsidiaries are listed in note 7.

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**Notes (continued)**

**16. Guarantees**

On 11 December 2020 a subsidiary of the Company entered into a 12 year fixed-rate loan facility for £120 million with Scottish Widows; the Company acts as a guarantor to the loan facility. The Company considers and accounts for all guarantees as insurance contracts. A financial guarantee is recognised where a contract requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due. No debt was drawn under this facility as at 31 December 2020 and no recognition of this financial guarantee was required in the period under review.

**17. Post balance sheet events**

On 7 January 2021 the Company's subsidiary Home Holdings 1 Ltd, completed the purchase of a property in Maidstone, Kent and a property in Plaistow, London for a total consideration of £10.2m.

On 8 January 2021 the Company's subsidiary Home Holdings 1 Ltd completed the purchase of two apartment buildings in Southampton for a total consideration of £4.0m.

On 20 January 2021 the Company's subsidiary Home Holdings 1 Ltd acquired 100% of the share capital and the underlying assets of Pathway Homes Group (Exeter) Ltd for a total consideration of £9.2m.

On 29 January 2021 Pathway Homes Group (Exeter) Ltd, a subsidiary of Home Holdings 1 Ltd, completed the purchase of a property in Exeter for a total consideration of £0.6m.

On 29 January 2021 the Company's subsidiary Home Holdings 1 Ltd completed the purchase of a property in Edgware, London for a total consideration of £1.6m.

On 4 February 2021 the Company's subsidiary Home Holdings 1 Ltd completed the purchase of a property in Telford for a total consideration of £0.3m.

The Company provided intercompany financing to its subsidiary Home Holdings 1 Ltd in order to complete these transactions.