# HABITARE HOMES

**HABITARE HOMES LIMITED**
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

REGISTERED PROVIDER NO: 5128
REGISTERED COMPANY NO: 12029015

**Habitare Homes invests social impact capital to deliver good quality, sustainable and affordable homes in communities where the need is high.**

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# Directors, Officers and Advisors

## Board of Directors

### Non-executive Directors

K A Laud (Chair)
G M Berring
D K Gannicott
N J Singh

### Executive Directors

E Burl

## Company Secretary

Ocorian Administration (UK) Limited

## Registered office

5th Floor
20 Fenchurch Street
London
England
EC3M 3BY

## Registered Provider Number

5128

## Registered Company Number

12029015

## Auditor

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St. Peter Port
Guernsey GY1 4AF

# Chair's Statement

Habitare Homes Limited ("Habitare Homes" or "the Company") remained committed during 2022 to its mission of addressing the urgent need for affordable housing solutions, making great strides towards the delivery of low cost rented and shared ownership homes as part of broader mixed tenure communities.

We know that the housing market no longer works for the average household in large parts of the UK and there is a supply side crisis. Following the pandemic, we face the different challenges of political and economic volatility, uncertain prospects and the most significant cost of living crisis for a generation. Against this backdrop, Habitare Homes invests social impact capital to deliver good quality, sustainable and affordable homes in communities where the need is high. Our approach offers additionality via land led development, or the forward funding of housing that would not have otherwise been affordable.

2022 has been a successful year for Habitare, we have achieved a number of milestones that are in line with our strategy. These include increasing our investment in affordable homes, delivering on a mix of different affordable housing tenures, forming partnerships with housing associations to manage and maintain our properties, and securing debt financing for our portfolio from HSBC. We have also continued to embed strong governance, data and assurance systems.

Overall Habitare has increased the number of affordable homes it will deliver from 322 to 1,111. In addition, Habitare now has 85 homes that are occupied split between 46 Affordable Rented homes and 39 Shared Ownership homes. Of the affordable homes we will deliver, over 70% are affordable homes that would, in most likelihood, not have been delivered without our involvement. Through the use of modern methods of construction and a focus on quality homes and neighbourhoods, we are contributing to sustainability.

As Habitare grows as a landlord, we are committed to ensuring that residents have a positive lived experience in their homes. We support the Regulator's and the Housing Ombudsman's focus on quality homes, hearing the voice of residents, and working for a positive customer service experience. We have partnered with a number of housing associations ("HAs") to manage and maintain our housing stock. These HA partners, including Longhurst Group, Raven Housing, and Grand Union Housing Group, have a strong local presence in the communities in which we invest and are committed to delivering a customer focused service.

Looking forward, Habitare Homes will continue to deliver more affordable housing, across both affordable rent and shared ownership tenures. Our future development pipeline is strong, with opportunities for 1,111 homes in areas where the affordability challenge is high. Over the course of 2023 we will provide 518 homes from Brighton/Hove, to Milton Keynes, Alconbury in Cambridgeshire and Grantham, Lincolnshire. We will seek to exploit the opportunities that arise from our unique model, investment backing, and responsive business culture.

I would like to thank all colleagues for their hard work and creativity as we build value for our stakeholders.

Katrina Laud

**K A Laud**
Chair

Date: 20 June 2023

# Board of Directors

### Katrina Laud (Independent Chair)

Katrina is an accomplished senior executive and housing professional having worked for over twenty years in the social housing sector. She acts as a Director in Savills Housing Consultancy team where she advises a wide range of housing associations from the largest in England to community-based organisations. Other clients include landed estates and trusts. Katrina supports boards and executive teams in effective governance, regulatory compliance, business strategy, growth, and development partnerships. She is the joint author of publications on governance; housing association viability and vitality; and the National Housing Federation Code for Merger, Group Structure and Partnerships.

### Gabrielle Berring (Independent Non-Executive Director)

Gabrielle is an experienced Real Estate Banker with a strong track record in the banking industry, with experience as a non-executive director for a number of housing-led organisations as well as Sheffield Hallam University. Skilled in Leadership, Strategy, as well as Credit Analysis and Structuring, Gabrielle's last full-time role was as Director of Loans at Homes England where she was Senior Responsible Officer for the Home Building Fund. Gabrielle's banking experience includes social and affordable housing, local authority off balance sheet structures, project finance/PFI, as well as the wider real estate sector.

### Eric Burl (Executive Director)

Eric Burl is Head of Discretionary at Man Group, responsible for Man GLG and Man Global Private Markets (Man GPM). He is also a member of the Man Group Senior Executive Committee. Eric was previously Head of GPM, Co-Head of Global Sales and Marketing, Head of Americas. Based in New York, Eric was responsible for building Man Group's US presence, overseeing business development, new product launches and the expansion of Man GPM. Prior to this, he held the role of Head of Managed Accounts at Man Group's multi-manager business which merged with Man FRM in 2012. Before joining Man Group in 2004, Eric worked at UBS in London.

### David Gannicott (Independent Non-Executive Director)

David was most recently Group Business Development Director at Hyde Group, a large housing association with over 50,000 homes in London, where he transformed their development programme. He has a strong track record of success across the housing sector and has worked with both the public and private sectors in furthering the delivery of new affordable homes.

### Natalie Singh (Independent Non-Executive Director)

Natalie is a Partner and Head of the Banking Team at Anthony Collins Solicitors, a leading law firm advising the social housing sector. Natalie is a qualified solicitor with over 20 years' experience. She completed her training and 10 years post qualification with Gowling WLG advising large listed and unlisted companies in relation to corporate matters (including public offers, disposals, strategic reviews, merger and acquisitions and joint ventures). Natalie joined Anthony Collins in 2012 and is a recognised leader in social housing finance advising on complex funding and finance related projects for registered providers and not-for-profit businesses (including bonds and private placements as well as advising on large scale debt restructurings).

# Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2022.

Habitare Homes Limited (the “Company” or “Habitare Homes”) was incorporated in June 2019. The Company is a registered provider of social housing (“Registered Provider”) with its principal activities being the provision of affordable housing to people who are in housing need, either via sales under shared ownership arrangements (“Shared Ownership”), or rentals under affordable rent agreements (“Rents”). Our activity is solely in England and Wales.

Habitare Homes has in place a strong board of directors (the “Board”), collectively bringing a wide range of relevant expertise and experience to oversee the Company’s activity. The Board’s role is to provide strategic direction for the Company, as well as oversight of finance, performance, and regulatory compliance, providing both challenge and support to those tasked with operational delivery. The Board has ultimate responsibility for ensuring the Company maintains a system of internal control that is appropriate to the various risks it may face given the nature of the business and operating environment.

## Statement of Internal Control

During the course of 2022, Habitare Homes continued to operate within its existing risk management framework which has been designed to effectively identify, manage and mitigate risks to the Company. To further enhance the robustness of this framework, the Board established an Audit and Risk Committee (“ARCOM”) as a delegated committee of the Board, chaired by an executive of the group with otherwise non-executive members, to ensure appropriate systems of internal control, assurance and risk management are in place and that legal, statutory and regulatory requirements are properly audited where necessary.

In addition, following a three lines of defence model, a third-party auditor was engaged to perform an internal audit on Habitare Homes’ regulatory compliance framework with emphasis on the Consumer Standards, as the Company delivers an increasing number of affordable homes. The report was presented to the ARCOM and Board who received assurance as to the Company’s current position and preparedness for upcoming regulatory changes such as the Regulator of Social Housing’s Tenant Satisfaction Measures.

Regular assessment of the Company’s Risk Map occurred throughout the year with ongoing monitoring of risks and controls. The Risk Map is presented to the ARCOM on a quarterly basis for review and challenge with key risks and material updates reported to the Board quarterly for their review and approval. To supplement the Company’s Risk Map and associated monitoring and reporting, Habitare Homes defined Key Risk Indicators (“KRIs”) for each of the key risks in the Risk Map, which act as an early warning risk detection system to further facilitate the ARCOM and the Board’s monitoring and managing of risks. The status of these KRIs (including any breaches) are reported to the Board quarterly.

A range of policies and procedures that address the risks inherent with operating in the sector are in place which contribute to a strong governance framework. There has been particular focus on working with partner housing associations to ensure that our policies are consistent with and are complementary to their policies.

Strategic Report (continued)

## Value for Money

Habitare Homes has been established to deliver additional, high-quality affordable housing in areas of the country where affordability is stretched. Delivering on value for money ("VfM") is integral to the Company's ability to achieve its strategic objectives and there are a number of measures to ensure the VfM considerations are embedded in its business. These include risk management, business planning, and a strong governance framework to enable the Directors to make well-informed decisions.

As at 31 December 2022, the Company had 49 properties that were occupied by households. Over the course of 2022, the Company contracted on 3 developments due to deliver 372 properties. Combined with the developments contracted on during 2020 and 2021, Habitare Homes has plans underway to deliver a total of 789 properties.

## Value for Money Metrics

| Metric | Description | 2022 Actual | 2022 Target | 2023 Target |
|---|---|---|---|---|
| **Required Metrics** | | | | |
| 1 | **Reinvestment** | 100% | 50% | 80% |
| 2 | **New supply delivered** | 100% | 50% | 81% |
| 3 | **Gearing** | N/A | 60%* | 50% |
| 4 | **EBITDA MRI** | 4,603% | 125% | 125% |
| 5 | **Headline social housing cost per unit** | £0 | £400 | £1,500 |
| 6 | **Operating Margin**<br>**a) Social housing lettings**<br>**b) Overall** | a) 99%<br>b) 71% | a) 4.5%<br>b) 4.5% | a) 89%<br>b) 83% |
| 7 | **Return on capital employed (ROCE)** | 8% | 1% | 10% |
| **Additional Metrics – requirement of the Board** | | | | |
| 8 | **% of new supply which is above the local plan or extant planning s106 target** | 69% | 50% | 70% |
| 9 | **Average level of grant subsidy per unit (if any)** | £49,098 | £50,000 | £55,000 |

*The higher leverage ratio reflects the greater development activity in the Company where development finance is provided at 65% LTC. For stabilised assets we expect the leverage to reduce to 35%.

Strategic Report (continued)

## Metric 1
**Reinvestment %**

This metric looks at the fixed asset investment in properties as a percentage of the value of total properties held. At the end of December 2022, the Company had completed 125 homes with 664 gross assets under development. However, the 2021 number of completed properties in the Habitare Homes portfolio was zero.

## Metric 2
**New supply delivered %**

This metric considers the number of new housing units developed in the year as a proportion of total units owned at the end of the year. We started the year with no homes and finished the year with 125 completed homes. The metric is calculated as 100% as no properties had been completed at the year ended December 2021. Based on Q1 2023 latest information, a target of 81% has been set for the year ending December 2023.

## Metric 3
**Gearing %**

The Company established a loan facility in H2 2022 to increase its capacity to deliver more homes. At the end of 2022, following the establishment of the loan facility in November, the Company had taken out one development loan. Gearing will be measured as a blend of:

i. loans secured against development assets and

ii. loans secured against stabilised homes.

## Metric 4
**EBITDA MRI**

This metric measures the level of surplus compared to interest payable. For the year ended 31 December 2022, there was £1,344,263 of debt drawn and £5,581 interest payable. The EBITDA MRI ratio reflects the fact that the Company has been financed with inflation linked debt with variable interest rates. The debt facility agreement was finalised in November 2022 with first drawdown in December 2022 therefore lower interest payable and financing costs had been incurred as at year end, resulting in a highly skewed EBITDA MRI result. This will become more stabilised as the debt & interest increase over a full year period.

## Metric 5
**Headline social housing cost per unit**

This metric assesses the cost per unit. The Company is still in the early stages, no service charges were paid in 2022 and these are due to be paid in in H1 2023. Given that the Company leases the properties to housing associations, the costs associated with management and maintenance are embedded in the lease and the responsibility of our housing association ("HA") lessee. As such the costs, will not be directly comparable with the sector.

## Metric 6
**Operating Margin %**

This metric demonstrates the profitability of operating assets, with 6a. representing margin on social housing only and 6b. accounting for the entire Company portfolio. The Company is still in early stages of delivery with properties completing from Q2 2022 and handed over steadily through the year. More properties completed and let at the end of the year, therefore we expect turnover to increase over the subsequent financial periods and the margins becoming more in line with expected targets.

## Metric 7
**Return on capital employed (ROCE)**

This metric compares the operating surplus to total assets less current liabilities and is a measure to assess the efficient use of capital. The ROCE for Habitare Homes was 8% given that income has only started being produced as properties were leased during the year. Given that the Company is in growth mode, we expect the ROCE to be below the benchmark average until the portfolio matures and stabilises its income.

## Metric 8
**% of new supply which is above the local plan or extant planning s106 target**

This metric demonstrates the additionality of the Company's housing stock in addressing the affordable housing challenge. We aim to deliver 50% more affordable homes than set out in the local plan or in extant s106 agreements.

## Metric 9
**Average level of grant subsidy per unit (if any)**

This metric ensures that we are delivering social housing as cost effectively as possible. The average level of grant subsidy approved per unit is £49,098.

## Environmental, social and governance (ESG) impact

Positive environmental and social outcomes are central to the Company's strategy. The Board invest in developments that have, where possible, the following ESG characteristics: a focus on placemaking, an improvement in the carbon footprint, mixed tenure communities and a demonstrable improvement in housing affordability. In delivering tenant and asset management services, the Board works with housing associations that are rooted in their communities and have a focus on delivering for customers and community stakeholders.

When the Board select development schemes for investment, they set clear ESG targets that should positively affect the lived experience of the future residents. In order to ensure that the Board's commitment to environmental and social outcomes translates into practice, the Board underwrite projects in line with an Impact Underwriting Framework and then audit our projects annually using an Impact Audit Framework and Impact Audit Report. These tools have been developed together with New Philanthropy Capital ("NPC") and Sheffield Hallam University's Centre for Regional Economic and Social Research ("CRESR").

The Impact Underwriting Framework includes an assessment of the Board's partners' intentions on impact, additionality, financial sustainability, environmental sustainability and housing quality. Further dimensions include our ability to oversee and control intended outcomes through contractual terms and governance structures.

The Impact Audit Framework assesses how the Board are performing against the Company's strategic objectives each year. The Company has its environmental and social outcomes audited independently by the CRESR team. The output and outcome indicators for the audit report are structured around three key areas: housing affordability, residential stability and housing quality (when lived in). Output indicators include a quantitative assessment that sets out what the Board accomplished versus their targets. Outcome data will primarily be captured by CRESR through short surveys and focus groups as we focus on the lived tenant experience, and the resulting data is analysed for inclusion in the annual Impact Audit report.

The data will also feed into our reporting on Tenant Satisfaction Measures ("TSMs") commencing in 2024, where we will be inviting residents to participate in feedback questionnaires, followed by telephone surveys, in order to obtain further information and insight as to the lived experience.

The forthcoming 2022 report relates to the second year in which homes have been developed by the Company and, as significantly more homes have been developed and are now occupied, the Company's activities can be assessed against a broader range of output, outcome and other metrics. CRESR have observed a better-than-anticipated delivery trajectory, with signs of increasing numbers of practical completions. Projects include a range of tenures and offer high levels of affordability for those on median incomes. Qualitative evidence shows powerful signs that the housing developed is having a profound stabilising effect on households. CRESR's interviews revealed crucial quality of life impacts arising from the quality of homes and the local environments in which they are situated. The vast majority of residents surveyed would recommend their development to friends and family, with signs that for some moving into their new home directly changed their perceived life satisfaction.

The Board are acutely aware of the pressures on residents due to the continued cost of living crisis in the UK; we strive to help alleviate the issues faced by different communities across the country due to challenges in affordability through the Company's range of affordable, energy efficient and sustainable housing.

## Service Quality

Our focus is on the provision of exceptional service and quality accommodation to residents in our homes. There will be times when a resident is not fully satisfied with the delivery of services and in those cases, we have designed a Complaints Policy, available via our website, which aims to ensure a clear and effective process for complaints resolution. We have selected a range of management providers who can provide local service delivery ensuring a high standard of service, whilst being open, local and accessible when things go wrong. We endeavour to keep the resident updated throughout the complaints process whilst we work to resolve any issues alongside our housing management partners. We consider complaints to be an important feedback mechanism for Habitare Homes and an integral part of business learning and improvement.

During the period, we received 3 complaints related to issues in the defects process. All received a response during timescales set out within our Complaints Policy. We have since adjusted our process to ensure these issues will not arise again. Complaint resolution and learning is a core element of the performance review mechanism with our management partners. The performance of each of our partners is reviewed quarterly and includes complaints, service failures and improvement processes amongst the key reporting requirements.

## Principal risks and uncertainties

We consider the following to be the principal risks and uncertainties that could impact Habitare Homes' activity and ability to meet its long-term objectives:

**Inflation and the rising cost of living**
The current macroeconomic environment presents significant challenges to many households in the UK with the rising cost of living and inflation hitting double-digits for the first time in decades. Rents in the affordable housing sector, including shared ownership, have been linked to inflation with a rent indexation cap agreed for shared ownership and affordable rental homes in 2022. In light of the customer impact; Habitare Homes supported and chose to comply with the cap applied to the not for profit RP sector. However, we are of the view that the explicit rental inflation linkage is not sustainable in today's economic environment and that this could pose more significant challenges in the coming years and make affordability more challenging for some households. For Habitare Homes, the impact on our housing portfolio and long-term business plan is currently limited due to the way we structure leases and the composition of housing types that we own at present. However, if the government introduces substantially greater rent controls that limit rental increases to less than 5% per annum, there would be a reduction in the Company's income.

**Risk of contractor default**
Inflationary pressures are also affecting the supply chain for materials and the labour market which are key inputs into any housing development. In addition, housing sales rates are 40% lower than they were at the peak of the market in 2022. The supply side headwind plus the demand headwind has resulted in greater financial pressure on contractors and housebuilders. As a result, the number of insolvencies in the housing sector has increased. An insolvency by one of the Company's contracting / housebuilding partners would likely result in an increase in costs and a delay in delivery of the homes. To mitigate this risk, the Company has procured insurance against contractor defaults, has a monthly meeting with our contractor partners and has processes to manage a default event.

**Cost of financing**
In 2022, Habitare Homes completed a financing facility with HSBC to support the delivery of more homes, both at development and stabilisation. However, the elevated high interest rate environment reduces the attractiveness of using debt to support additional housing delivery. The current level of interest rates is likely to persist as long as inflation expectations remain anchored and until signs of a recession are more evident. The level of interest rates set by the Bank of England has a direct impact on the cost of financing which we consider a principal risk to our ability to fund investments at a viable cost of capital. To mitigate this risk, Habitare Homes hedges its interest rate exposure however this ultimately comes at a financial cost, which we are monitoring.

**Poor delivery of HA partners**
Habitare Homes has entered into lease and management agreements with housing associations to manage and maintain the Company's homes. While the organisations we have selected have the highest level of governance rating, G1, by the Regulator of Social Housing, there is a risk that they underperform with respect to their housing maintenance and management obligations. This would potentially impact the Company's reputation, result in fines from the Housing Ombudsman or fines and censure by the Regulator of Social Housing. To mitigate these risks, we have a close working relationship with each of our HA partners and regularly monitor their performance through KPIs, reporting, annual audits and ad-hoc discussions. Where there is a concern with respect to service delivery, we will work with the housing association to improve their service. As a last resort, the Company has the ability to terminate the agreement with the housing association for poor performance.

## Corporate Governance

During 2021, and since its registration as a Registered Provider in April 2021, the Company adopted the NHF Code of Governance 2015. For the financial year ended 31 December 2022, the Board reviewed the Company's self-assessment against the NHF Code of Governance and concluded that the Company was compliant with the principles of the Code of Governance where applicable.

**Strategic Report (continued)**
Regulatory Compliance (continued)

## Regulatory Compliance

We are fully committed to delivering homes within the regulatory standards set by the Regulator of Social Housing and to operating within a robust governance framework.

As a Registered Provider of Social Housing, the Company is required to comply with the Economic and Consumer Standards set out by the Regulator of Social Housing and to formally certify compliance with the Governance and Financial Viability Standard and the accompanying code of practice.

For the financial year ended 31 December 2022, the Company carried out a review and the Board is satisfied that Habitare Homes was in compliance with the Regulator of Social Housing's Economic and Consumer standards. The Company has also undertaken an annual review of compliance and the Board is assured that the Company is compliant with the Regulator of Social Housing's regulatory expectations in the Governance and Financial Viability Standard and its accompanying code of practice.

## Events after the reporting period

Subsequent to the year end, the Company issued a further £24,550,000 of called up share capital to GPM CH REIT Limited, the Company's immediate parent. This will further enable the Company to pay its liabilities and further its trading operations. Further share capital will be issued to GPM CH REIT Limited as and when it is required to support the investment objective of the Company.

In addition to the above, including commitments entered into subsequent to the year end, the Company's ultimate parent has total committed capital of £48,310,000 to be utilised within the group's investment strategy, including in support of the Company's investment objective.

Further information on the events after the reporting period can be found in note 28.

The board, in approving the financial statements, are also approving the strategic report in their capacity as company directors.

**By order of the Board**

Eric Burl

**E Burl**
Director

Date: 20 June 2023

# Directors' Report

The Directors present their annual report and audited financial statements for the year ended 31 December 2022.

## Principal activities

The Company is a registered provider of social housing with its principal activities being the provision of affordable housing to people who are in housing need, either via sales under shared ownership arrangements, or rentals under affordable rental agreements with activity solely in England and Wales.

Habitare Homes has in place a strong board of directors, with the Directors collectively bringing a wide range of relevant expertise and experience to oversee the Company's activity. The Board's role is to provide strategic direction for the Company, as well as oversight of finance, and performance and regulatory compliance, providing both challenge and support to those tasked with operational delivery. The Board has ultimate responsibility for the Registered Provider.

## Directors

The Directors who served during the year and up to the date of approval of this report were:

G M Berring
E Burl
D K Gannicott
K A Laud
N J Singh

## Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting practice (United Kingdom Accounting Standards and applicable law). Under Company law, the Directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

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

- selected suitable accounting policies for the Company's financial statements and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- presented information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provided additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the financial statements, stated whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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, the Accounting Direction for Registered Providers and the Housing and Regeneration Act. 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations.

The Directors confirm, to the best of their knowledge, that they have adhered to their responsibilities detailed above.

Directors' Report (continued)

## Auditor

The auditor during the period ended 31 December 2022 was Ernst & Young LLP.

## Qualifying third party indemnity provisions

The company has provided an indemnity for its Directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

## Going concern

In preparing the Company's financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company to cease operations, or have no realistic alternative but to do so. Having performed this analysis, the Directors believe that the Company will require additional capital to be able to meet its obligations as and when they fall due for the foreseeable future.

During the year, the Company issued a further £64,521,791 of called up share capital to GPM CH REIT Limited, the Company's immediate parent. Further share capital will be issued to GPM CH REIT Limited as and when it is required to support the investment objective of the Company.

In addition to the above, the Company has total commitments of £238,983,813 related to its property investment activities. The Company's intermediate parent GPM RI Community Housing 1 LP (the "Main Fund"), has confirmed its intention to provide support or assistance, which may include financial support, to the Company for the period up to 30 September 2024. This will provide sufficient liquidity to the Company to settle its obligations and commitments within the next 12 months after these financial statements are available to be issued.

Therefore, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its obligations for a period of twelve months from the date of approval of the financial statements. Thus, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

## Small companies

In preparing this report, the Directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

**By order of the Board**

Eric Burl

**E Burl**
Director

Date: 20 June 2023

# Independent Auditor's Report to the members of Habitare Homes Limited

## Opinion

We have audited the financial statements of Habitare Homes Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity,the Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing SORP 2018 (Statement of Recommended Practice for Registered Social Housing Providers) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to 30 September 2024 being not less than twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

## Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

**Independent Auditor's Report to the members of Habitare Homes Limited (continued)**
Auditor's responsibilities for the audit of the financial statements (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Housing SORP 2018 (Statement of Recommended Practice for Registered Social Housing Providers) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our understanding by reviewing board minutes and relevant policy and procedures manuals.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the investment objectives of the Company, and therefore where reporting was considered susceptible to fraud. Where this risk was considered to be higher, we performed audit procedure in response to the identified fraud risks. We identified fraud risks with respect to the incomplete or inaccurate recognition of rental income and the incorrect valuation of investment properties and inventory. These procedures included testing of specific accounting journal accounting entries and n relation to investment property and inventory, we involved our valuation specialists. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management for their awareness of any non-compliance with laws and regulations, completion of relevant audit work in respect of compliance matters including that relating to adherence to the disclosure provisions of the Companies Act 2006 and related financial reporting requirements. We corroborated our enquiries through our board meeting minutes. We also examined legal and professional fee invoices in the period to ensure no fees were paid in respect of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

**Vishal Soorkia**
Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
Guernsey, Channel Islands

Date: 20 June 2023

# Statement of Comprehensive Income

## For the year ended 31 December 2022

| | Note | 2022<br>£ | 2021<br>£ |
|---|---|---|---|
| Turnover | 4 | **8,594,605** | – |
| Cost of sales | 4 | **(3,866,295)** | – |
| Operating costs | 4 | **(328,304)** | (160,134) |
| Unrealised gain on housing properties at revaluation | 4 | **2,492,159** | – |
| Impairment of inventories | | **(74,675)** | – |
| **Operating surplus/(deficit)** | 4 | **6,817,490** | (160,134) |
| Interest income | 8 | **187,762** | – |
| Foreign exchange loss | | **(628)** | – |
| Financing costs | 9 | **(51,539)** | – |
| Fair value loss on interest cap | 12 | **(6,387)** | – |
| **Operating surplus/(deficit) before tax** | | **6,946,698** | (160,134) |
| Taxation | 10 | **–** | 28 |
| **Surplus/(deficit) for the year and total comprehensive income/(loss)** | | **6,946,698** | (160,106) |

Results wholly relate to continuing activities.
There was no other comprehensive income in the year.
The financial statements were approved by the Board and authorised for issue on 20 June 2023.

Eric Burl

**E Burl**
Director

The notes on pages 22 to 39 form part of these financial statements.

# Statement of Financial Position

**As at 31 December 2022**
***Company number: 12029015***

| | Note | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investment properties | 11 | **60,951,819** | | 5,572,679 | |
| Derivative financial instruments | 12 | **510,513** | | – | |
| | | | **61,462,332** | | 5,572,679 |
| **Current assets** | | | | | |
| Inventories | 13 | **14,348,196** | | 3,715,119 | |
| Debtors: due within one year | 14 | **3,108,137** | | 34,068 | |
| Cash at bank and in hand | 15 | **11,273,408** | | 21,383,717 | |
| | | **28,729,741** | | 25,132,904 | |
| **Creditors: amounts falling due within one year** | 16 | **(7,993,735)** | | (20,834,798) | |
| **Net current assets** | | | **20,736,006** | | 4,298,106 |
| **Total assets less current liabilities** | | | **82,198,338** | | 9,870,785 |
| Creditors: amounts falling due in more than one year | 17 | | **(859,064)** | | – |
| **Net assets** | | | **81,339,274** | | 9,870,785 |
| **Capital and reserves** | | | | | |
| Share capital | 20 | | **74,671,727** | | 10,149,936 |
| Revaluation reserve | 21 | | **3,772,515** | | – |
| Income and expenditure reserve | 21 | | **2,895,032** | | (279,151) |
| **Total equity** | | | **81,339,274** | | 9,870,785 |

The financial statements were approved by the Board and authorised for issue on 20 June 2023.

Eric Burl

**E Burl**
Director

The notes on pages 22 to 39 form part of these financial statements.

# Statement of Changes in Reserves

| | Share capital £ | Income and expenditure reserve £ | Revaluation reserve £ | Total reserves £ |
|---|---|---|---|---|
| **As at 1 January 2021** | 2,237,732 | (119,045) | – | 2,118,687 |
| Loss for the year | – | (160,106) | – | (160,106) |
| Issue of share capital | 7,912,204 | – | – | 7,912,204 |
| **As at 31 December 2021** | **10,149,936** | **(279,151)** | **–** | **9,870,785** |
| Profit for the year | **–** | **6,946,698** | **–** | **6,946,698** |
| Transfer to revaluation reserve | | **(3,772,515)** | **3,772,515** | **–** |
| Issue of share capital | **64,521,791** | **–** | **–** | **64,521,791** |
| **As at 31 December 2022** | **74,671,727** | **2,895,032** | **3,772,515** | **81,339,274** |

The notes on pages 22 to 39 form part of these financial statements.

# Statement of Cash Flows

| | Note | 2022 £ | 2021 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit/(Loss) for the financial year** | | **6,946,698** | (160,106) |
| Adjustments for: | | | |
| Increase in inventory | | **(10,633,077)** | (2,876,554) |
| (Increase)/decrease in other debtors | | **(3,074,697)** | 119,305 |
| Decrease in other creditors | | **(3,942,700)** | (14,549) |
| Tax credit | | **-** | (28) |
| Revaluation of investment property | | **(2,492,159)** | – |
| Increase in interest rate cap | | **(510,513)** | – |
| Interest income | | **(187,762)** | – |
| Foreign exchange loss | | **628** | – |
| Interest charged | | **5,581** | – |
| Amortisation of loan costs | | **11,179** | – |
| Other finance costs charged | | **34,779** | – |
| Net cash used in operating activities | | **(13,842,043)** | (2,931,932) |
| **Investing activities** | | | |
| Purchase costs of investment properties | | **(52,886,981)** | (4,314,831) |
| Government grants received | | **10,775,341** | 652,500 |
| Interest income | | **187,762** | – |
| Net cash generated/(used) in investing activities | | **(41,923,878)** | (3,662,331) |
| **Financing activities** | | | |
| Issue of share capital | | **44,549,905** | 7,912,204 |
| Cash received in advance of issuance of shares | | **-** | 19,971,886 |
| Drawdown of loan | | **1,344,263** | - |
| Loan costs paid | | **(238,556)** | - |
| Net cash generated in financing activities | | **45,655,612** | 27,884,090 |
| Net (decrease)/increase in cash and cash equivalents | | **(10,110,309)** | 21,289,827 |
| Cash and cash equivalents at the beginning of the year | 15 | **21,383,717** | 93,890 |
| **Cash and cash equivalents at the end of the year** | 15 | **11,273,408** | 21,383,717 |

The notes on pages 22 to 39 form part of these financial statements.

# Notes to the financial statements

## 1 Legal status

Habitare Homes Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The registered office is given on page 1 of these financial statements and the principal activities are given in the Directors' Report.

In April 2021, the Company registered as a for profit registered social housing provider with The Regulator of Social Housing.

## 2 Accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, the Accounting Direction for Private Registered Providers of Social Housing 2022 and in accordance with the Companies Act 2006.

The Company has also taken advantage of the small companies exemptions in section 415A of the Companies Act 2006 in respect of their Directors' Report only.

The accounts are prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Board to exercise judgement in applying the Company's accounting policies (see note 3).

The functional and presentational currency of the financial statements is Sterling (£) and all amounts are rounded to the nearest £1.

The following principal accounting policies have been applied:

### 2.2 Going concern

As discussed in the Directors Report, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its obligations for a period of at least twelve months from the date of approval of the financial statements. Thus, the Company continue to adopt the going concern basis of accounting in preparing the financial statements.

### 2.3 Turnover

Turnover comprises rental income receivable in the year in relation to shared ownership properties and affordable rental units, service charge income, income from shared ownership first tranche sales, staircasing sales of investment properties, support services and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants released to income in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Service charge income is recognised when service charge expenditure is incurred as this is the point at which the services have been performed.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Charges for support services are recognised as they fall due.

Interest income is recognised in the period in which the



Notes to the financial statements (continued)

interest is accrued.

### 2.4 Government Grants

Grants received in relation to construction of the investment properties under development are accounted for using the performance model set out in FRS 102 and the Housing SORP 2018. Income is initially recognised as deferred income within creditors until the performance obligations have been met. This being the point when the construction of the properties is complete. Once the obligations have been met the grant is recognised in full within income.

In some circumstances, typically when a Shared Owner staircases or the units are sold to a Company that is not a registered provider, an obligation to repay the grant to the relevant body can arise. This is treated as a contingent liability until the conditions for repayment have been met, at which point the amount repayable is recognised as a liability on the Statement of Financial Position and deducted from the measurement of any gain on the staircase transaction. As at the year end date no liabilities were recognised in the Statement of Financial Position in relation to these repayments, and no repayments have been made, however a contingent liability has been recognised in respect of the possible future obligation to repay the grant (see note 22).

### 2.5 Financing costs

The cost of specific borrowings are capitalised against the loan and amortised over the life of the loan.

Interest expense is recognised in the period in which it falls due.

### 2.6 Investment properties

Investment property will initially be recognised at cost and then at fair value at subsequent reporting periods. Management is adopting quarterly reporting (and therefore valuation) periods in line with their management reporting. Investment property will be held at fair value as management consider that they can determine fair value of Investment Property reliably on a continuing basis, including Investment Property under construction.

Changes in the fair value are recognised in the statement of comprehensive income in the year in which they arise.

The Company has appointed CBRE Limited to act as an external valuer to provide an independent professional opinion of the value of the subject properties as at the valuation date. The valuation has been prepared in accordance with the latest version of the RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the “Red Book”). The valuation of the properties is on the basis that the gross development value is subject to the restrictions of title and fair value is in accordance with FRS102. The gross development value assumes the units are built as at the valuation date, however a risk margin is deducted for properties under development based on the percentage of remaining costs. Once completed, assets are held at fair value which is based on the Existing Use Value for Social Housing (EUV-SH). The Independent Pricing Committee were provided with the CBRE Limited valuation report and determined the fair value to apply to the properties in the Net Asset Value of the Company.

Expenditure on shared ownership properties is split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and relates to sales proceeds included in turnover, and the remaining element is classed as a fixed asset and included in investment properties at fair value.

## 2.7 Inventory

Assets held for sale in the ordinary course of business do not meet the Investment Property definition in FRS102 or IAS 40. They are stock and will be accounted for as inventory. Inventory will be recognised and measured in accordance with the Housing SORP 2018.

Shared ownership costs relating to the estimated first tranche sale proportion will therefore be held as inventory until the unit is sold. Costs comprise materials, direct labour and direct development overheads. Costs will be allocated between the estimated first tranche sale proportion and the element to be retained as investment property. The allocation will take into account market conditions, scheme appraisals, and valuation assumptions to arrive at the likely percentage to be sold and retained.

In accordance with the Housing SORP 2018, section 8.42, assets held as inventory will be held at the lower of costs and Net Realisable Value (NRV) and impaired annually as required.

On the sale of the first tranche of the shared ownership unit, the Company will recognise turnover, cost of sales and a gain/loss on disposal.

## 2.8 Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

### Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms has been agreed and the impact of discounting is material, the balance is shown at the present value, discounted at a market rate.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### Derivative financial instruments

During the financial year, the Company entered into a hedging arrangement with its bankers, capping floating interest rates on its debt facilities until November 2027 limiting its exposure to fluctuations in variable interest rates. The Company accounts for this contract as a derivative held on the statement of financial position as either an asset or liability, remeasuring to fair value at the end of each financial period, with any changes to the instrument’s value recognised through profit and loss. The Company uses valuations provided from leading industry experts to assist with the assessment of the instrument’s value, taking account of the forecast interest yield curve and anticipated changes in interest rates over the term of the instrument.

## 2.9 Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at the undiscounted value of amounts expected to be received. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

Notes to the financial statements (continued)

### 2.10 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

### 2.11 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

### 2.12 Current and deferred taxation

The Group of which the Company is a part elected to be taxed as a REIT with effect from 1 December 2022, with the Company's immediate parent GPM CH REIT Limited being the principal company of the REIT Group. The Company will not be subject to standard UK corporation tax on profits (income and capital gains) derived from its qualifying property rental businesses in the UK and elsewhere (the "Tax-Exempt Business"). As a result, no deferred tax provision has been recognised at the balance sheet date in respect of property assets or carried forward losses on the basis there will be no future profit against which the balances will unwind. UK corporation tax remains payable in the normal way in respect of income and gains from the Company's business (generally including any property trading business) not included in the Tax-Exempt Business (the "Residual Business").

### 2.13 Reserves

The Company only holds unrestricted funds.

The Company holds a revaluation reserve representing the cumulative gain on revaluation on investment properties, which is not distributable. Losses on revaluation are recognised in the profit and loss reserve unless they reverse a gain previously recognised in the revaluation reserve.

### 2.14 Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

## 3 Judgements in applying accounting policies and key sources of estimation and uncertainty

In preparing these financial instruments, key judgements have been made in respect of the following:

- **Allocation of costs for shared ownership**

  Under shared ownership arrangements, the Company disposes of a long lease on shared ownership housing units for a share of the property ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed after the first tranche sales portion. Sales of subsequent tranches after the first tranche, are treated as a part disposal of investment property and included in operating surplus.

  The first tranche sales portion has been estimated to be 40% of the cost of the shared ownership housing units. This is a judgement made by the Directors and is based upon the expectation set through experience of committed sales to date and in consideration of industry research.

  When shared ownership properties are sold, the cost of the shared ownership is allocated in line with the proportion of the property sold. This is deemed a fair method of cost allocation.

  Any difference between the estimated first tranche sale percentage and the actual amount purchased by the homeowner upon exchange of the shared ownership housing unit will be a transfer between investment property and inventory with the movement being reflected through the Statement of Comprehensive Income.

  Government grants received from Homes England are repayable once the scheme leaves social housing, and a liability is recognised once the conditions for repayment have been met. The Company therefore tracks the sales, and at year end, judges that no such liability exists.

**Notes to the financial statements (continued)**
Judgements in applying accounting policies and key sources of estimation and uncertainty (continued)

- **Classification as investment properties versus property, plant and equipment**

  Classification of social housing properties depends on the intended use of the property and to what extent it can be attributable to providing a social benefit to the wider community versus other motives, most notably profit.

  — Habitare Homes is a for-profit registered provider;

  — Its ultimate parent is GPM RI Community Housing Fund 1 LP;

  — It holds property to earn profitable rentals and capital appreciation, in order to provide a return on investment, including where rent is set at a level below market value;

  — It does not hold social housing assets purely for social benefit;

  — Therefore, in accordance with Section 16 FRS102, properties are classified as Investment Property and will be accounted for at fair value. As set out in note 2.4;

  Accordingly, the following properties are classified as Investment Property:

  — Rental completed units

  — Rental units under construction

  — Rental units held for affordable rent

  — Retained equity of completed Shared ownership units

  — Estimated retained equity of Shared ownership under construction;

  Property that will be disposed of in the ordinary course of business, including costs related to first tranche sales of shared ownership properties, are classified as inventory, in accordance with Chapter 8 of the SORP 2018.

- **Impairment of inventories**

  Determining whether there are indicators of impairment of the Company's inventory requires judgement. Management considers potential indicators of impairment and carries out reviews as required. As at 31 December 2022 an independent valuer assessed the fair value of the investment property, which for the portion of the properties held as inventory is taken to be net realisable value. A review of current year inventory has determined that investments should be impaired to the lower of cost and net realisable value, resulting in an impairment loss of £74,675 (2021 – £Nil).

- **Impairment of trade debtors**

  In determining whether there are indicators of impairment of the Company's trade debtors, management considers potential indicators of impairment and carries out reviews as required. A review of trade debtors has shown no indicators of impairment.

- **Valuation of investment properties**

  As at 31 December 2022 an independent valuer, CBRE, assessed the fair value of the investment property. Fair value measurements were applied to investment properties in the year see note 11 for details.

- **Interest rate cap agreements**

  The Company entered into an interest rate cap with its bankers as a means of managing its interest rate risk, capping floating interest rates until November 2027. The Company accounts for these contracts as a derivative contract held on the year end as either an asset or liability at its fair value. The Company remeasures the financial instrument at each reporting date with any changes to the fair value of the instrument recognised in profit and loss immediately. The Company use valuations provided from leading industry experts to assist with the assessment of the instruments fair value, taking account of the forecast interest yield curve and anticipated changes in interest rates to maturity.

Notes to the financial statements (continued)

## 4 Particulars of turnover, operating costs, cost of sales and operating surplus/(deficit)

| | Turnover 2022 £ | Cost of sales 2022 £ | Operating cost 2022 £ | Gain on revaluation 2022 £ | Impairment of inventories 2022 £ | Operating surplus/ (deficit) 2022 £ |
|---|---|---|---|---|---|---|
| Social housing lettings (4a) | **4,045,307** | **–** | **(28,505)** | **–** | **–** | **4,016,802** |
| ***Other social housing activities*** | | | | | | |
| First tranche shared ownership sales | **4,549,298** | **(3,866,295)** | **–** | **–** | **–** | **683,003** |
| Other operating costs | **–** | **–** | **(299,799)** | **–** | **–** | **(299,799)** |
| Impairment of inventories | **–** | **–** | **–** | **–** | **(74,675)** | **(74,675)** |
| Revaluation of housing properties | **–** | **–** | **–** | **2,492,159** | **–** | **2,492,159** |
| Total of other social housing activities | **4,549,298** | **(3,866,295)** | **(299,799)** | **2,492,159** | **(74,675)** | **2,800,688** |
| Total | **8,594,605** | **(3,866,295)** | **(328,304)** | **2,492,159** | **(74,675)** | **6,817,490** |

| | Turnover 2021 £ | Cost of sales 2021 £ | Operating cost 2021 £ | Gain on Revaluation 2021 £ | Impairment of inventories 2021 £ | Operating deficit 2021 £ |
|---|---|---|---|---|---|---|
| Other operating costs | – | – | (160,134) | – | – | (160,134) |

In the prior year the other operating costs related entirely to shared ownership properties under construction.

Notes to the financial statements (continued)

## 4a Particulars of social housing lettings

| | General needs housing 2022 £ |
|---|---|
| **Income** | |
| Rent receivable net of service charges | **74,372** |
| Service charge income | **20,935** |
| Government grants released to income | **3,950,000** |
| Turnover from social housing lettings | **4,045,307** |
| **Operating expenditure** | |
| Management | **5,990** |
| Legal costs | **22,515** |
| Operating expenditure on social housing lettings | **28,505** |
| Operating loss from social housing lettings | **4,016,802** |
| Void losses | **–** |

At the previous reporting date the company held no occupied or completed homes.

## 5 Auditor's remuneration

| | 2022 £ | 2021 £ |
|---|---|---|
| Auditor's remuneration (excluding VAT)<br>• fees payable to the auditor for the audit of the financial statements | **36,750** | 11,000 |

Notes to the financial statements (continued)

## 6 Employees

As at the reporting date, the Company had no full-time property management or corporate employees.

Habitare Homes Limited has entered into service level agreements with external third party providers, to provide property management and corporate functions to the Company. The Company is charged an annual fee per unit for these services. This arrangement is expected to be in place until such time as the homes under management within the Company constitute a sufficient number to make employing their own in-house property management and corporate functions financially efficient.

## 7 Directors' remuneration

The Directors received remuneration and benefits from the company of £40,486 (2021 – £35,667), of these £39,000 (2021 – £35,667) were payable at the year end and are included within accruals. Key management personnel are considered to be the Directors.

The highest paid director received fees of £15,000 (2021 – £15,000) and no other remuneration or pension benefits.

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| K A Laud | **15,000** | 15,000 |
| G M Berring | **8,000** | 8,000 |
| D K Gannicott | **8,000** | 8,000 |
| N J Singh | **8,000** | 8,000 |
| E Burl | **Nil** | Nil |
| | **39,000** | 39,000 |

The Company does not operate a pension scheme.

The Board of Directors is represented by the executive and non-executive directors. The Board were reimbursed for expenses of £Nil (2021 – £Nil).

## 8 Interest income

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Interest income on cash at bank | **187,762** | – |

Notes to the financial statements (continued)

## 9 Financing costs

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Loan interest payable | **5,581** | – |
| Amortisation of loan issue costs | **11,179** | – |
| Other financing costs | **34,779** | – |
| | **51,539** | – |

## 10 Taxation

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| **Corporation tax** | | |
| Adjustments in respect of prior year | **–** | (28) |
| **Total current tax credit** | **–** | (28) |
| **Deferred tax** | | |
| Adjustments in respect of prior periods | **–** | – |
| **Total deferred tax** | **–** | – |
| **Taxation on surplus/(deficit)** | **–** | (28) |

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Surplus/(deficit) before tax | **6,946,698** | (160,134) |
| Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%) | **1,319,873** | (30,425) |
| Expenses not deductible for tax purposes | **–** | 2,672 |
| Adjustments to tax charge in respect of prior periods – deferred tax | **–** | (28) |
| Movement in deferred tax not recognised | **–** | 27,753 |
| Amounts not subject to taxation | **(1,319,873)** | – |
| **Taxation on loss** | **–** | (28) |

Notes to the financial statements (continued)

**Factors that may affect future tax charges**
During the year ended 31 December 2022 the immediate parent company GPM CH REIT limited registered under the Real Estate Investment Trust (REIT) regime. Therefore, no future taxable profits will arise for the Company against which any previously carried forward tax losses in respect of pre-trading expenses can unwind. All deferred tax assets have been unwound and there will be no further deferred tax assets recognised in the future.

Upon the immediate parent company's REIT registration, the Company's income and gains arising from its property rental and shared ownership property business are exempt from UK tax. Corporation tax will be payable on future profits and gains from any other activities.

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021.

## 11 Investment properties

| | Properties under construction 2022 £ | Completed properties held for affordable rent 2022 £ | Completed properties held for shared ownership 2022 £ | Total 2022 £ | Total 2021 £ |
|---|---|---|---|---|---|
| *Valuation* | | | | | |
| At the start of the year | **5,572,679** | **–** | **–** | **5,572,679** | 1,257,848 |
| Additions at cost | **52,886,981** | **–** | **–** | **52,886,981** | 4,314,831 |
| Schemes completed | **(26,545,861)** | **20,775,640** | **5,770,221** | **–** | – |
| Gain/(loss) on revaluation of investment properties | **2,430,681** | **290,363** | **(228,885)** | **2,492,159** | – |
| **At the end of the year** | **34,344,480** | **21,066,003** | **5,541,336** | **60,951,819** | 5,572,679 |

Completed housing properties are stated at EUV-SH, including notional directly attributable acquisition costs. As at 31 December 2022, the group's housing properties have been valued by CBRE Limited, professional external valuers. In valuing housing properties, discounted cash flow methodology was adopted with the following key assumptions:

Discount rate: 5.57% – 9%
Annual inflation rate after 2 years 2.9%
Level of long-term annual rent increase: 3%

If the investment properties were held at historic cost, their net book value would be £58,415,417 (2021 – £5,572,679) and the depreciation charge in the year would be £44,243 (2021 – £Nil).

The gain on revaluation of investment properties of £2,492,159 represents gains on certain schemes of £3,772,515, which are transferred to the revaluation reserve, and losses on other schemes of £1,280,356, which are recognised in the income and expenditure reserve in full.

Notes to the financial statements (continued)

## 12 Derivative financial instruments

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Interest rate cap | **510,513** | – |

Derivative financial instruments are measured at fair value through profit or loss and comprise of an interest rate cap arrangement to hedge a portion of external debt in order to mitigate the Company's exposure to rising interest rates. £1,046,082 (2021 – £Nil) of external debt was hedged via a floating SONIA interest rate cap in which the Company has a capped the interest rate at 4% per annum, payable on a quarterly basis until the termination date. The effective date of the cap was 8 December 2022 with a termination date of 11 November 2027.

As at 31 December 2022 the fair value of the interest rate cap was £510,513 (2021 – £Nil) and the fair value loss recognised in the Statement of Comprehensive Income during the year was £6,387 (2021 – £Nil).

## 13 Inventory

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Shared ownership properties: | | |
| Completed properties | **1,807,880** | – |
| Proportion of shared ownership properties allocated as first tranche sales (work in progress) | **12,540,316** | 3,715,119 |
| | **14,348,196** | 3,715,119 |

Notes to the financial statements (continued)

## 14 Debtors

| | 2022 £ | 2021 £ |
|---|---|---|
| **Debtors: amounts falling due in one year** | | |
| Amounts owed by group undertakings | **–** | 100 |
| Rental debtors | **62,582** | – |
| Other debtors | **914** | 33,940 |
| Corporation tax recoverable | **28** | 28 |
| Prepayments | **9,333** | – |
| Deposit | **3,035,280** | – |
| | **3,108,137** | 34,068 |

Amounts owed by group undertakings relate to amounts owed by GPM CH REIT Limited in relation to the original issuance of share capital. All amounts are interest free and repayable on demand.

The deposit relates to monies paid as a deposit for work that has not yet taken place.

At the year end there were no material rent arrears. No expense (2021 – £Nil) was recognised in the Statement of Comprehensive Income in relation to bad or doubtful rental debtors.

## 15 Cash and cash equivalents

| | 2022 £ | 2021 £ |
|---|---|---|
| Cash at bank and in hand | **11,273,408** | 21,383,717 |

## 16 Creditors: amounts falling due within one year

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Trade creditors | **16,545** | – |
| Corporation tax | **–** | – |
| Amounts owed to group undertakings | **11,417** | 73,285 |
| Deferred capital grant (see note 18) | **7,477,841** | 652,500 |
| Accruals | **487,932** | 137,127 |
| Cash in advance of issuance of shares | **–** | 19,971,886 |
| | **7,993,735** | 20,834,798 |

Cash in advance of issuance of shares related to cash received in advance for share subscriptions. A financial liability was recognised equal to the amount received in cash as the cash was able to be called back. The shares were issued within 12 months post year end therefore the 'subscriptions in advance' was recognised as current liability as at 31 December 2021. There were no subscriptions in advance as at 31 December 2022.

## 17 Creditors: amounts falling due in more than one year

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Loan due in 2-5 years | **859,064** | – |

The loan is secured on the investment properties at Alconbury, Tattenhoe and Towergate, and attracts interest at 2.9% above SONIA, which is subject to an interest rate cap of 4% (see note 11). It is due for repayment in 2027. At the year end, the loan is held net of fees of £525,559 (2021 – £Nil) and the amortisation charged to the Statement of Comprehensive Income in the year in respect of these fees was £11,179 (2021 – £Nil). The Company is not in breach of it's loan covenants at the reporting date.

Notes to the financial statements (continued)
18 Financial instruments (continued)

## 18 Deferred capital grant

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| At 1 January | **652,500** | – |
| Grant received in the year | **10,775,341** | 652,500 |
| Released to income | **(3,950,000)** | – |
| At 31 December | **7,477,841** | 652,500 |

Grants will be utilised against capital expenditure and recognised as income in the statement of comprehensive income in full on completion of the properties.

The deferred capital grant is repayable to Homes England and the Combined Authority for Cambridgeshire and Peterborough when the final sale is completed or the units are sold to a company that is not a registered provider. A contingent liability has been disclosed in respect of capital grant recognised as income (see note 23).

Total accumulated government grant received or receivable at the year end is £11,427,841 (2021 – £652,500) of which £3,950,000 (2021 – £Nil) has been recognised in the statement of comprehensive income.

## 19 Financial instruments

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Financial assets held at fair value through profit and loss | **510,513** | – |
| Financial assets measured at amortised cost | **11,335,990** | 21,383,817 |
| Financial liabilities measured at amortised cost | **1,374,958** | 210,412 |

Financial assets held at fair value through profit and loss comprises the interest rate cap.

Financial assets measured at amortised cost include cash at bank and in hand and amounts owed by group undertakings.

Financial liabilities measured at amortised cost include trade creditors, accruals and amounts owed to group undertakings.

The Company considers the below to be the main financial risks:

**Market risk**
The Company's financial assets and liabilities do not create any material exposure to price, foreign exchange or counterparty risk.

Notes to the financial statements (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's operations are financed through a mixture of investment injections, external debt, generated cashflows and government grants for development activities.

It is considered that the Company, via the Group & external debt funding, has sufficient financial resources to meet its financial obligations, and therefore the risk is considered to be low.

### Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations and arises principally from the Company's tenant (in respect of trade receivables arising under operating leases).

The Company has entered into lease and management agreements with housing associations to manage and maintain the Company's homes including letting & collection of underlying rent from shared owners. The organisations selected to partner with the Company have the highest level of governance rating, G1, by the Regulator of Social Housing.

Future consideration in relation to affordable housing following the introduction of Welfare Reform and Universal credit changes, specifically the government's decision to transfer benefit payment directly to some tenants will be considered by the Board upon the transfer of the affordable housing to the Company.

Detailed scenario planning will be used to estimate the impact of any government policy changes on future tenancies. The business plan takes account of these changes in setting future levels of tenant indebtedness.

The risk is mitigated with the mechanisms established to support and sustain tenancies and focus on affordability as part of the tenancy allocation processes.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the external debt repayments & related interest expense will fluctuate because of volatility in market interest rates.

The Company has entered into an interest rate cap arrangement to hedge its interest rate exposure. The interest rate fluctuations continue to be monitored and the resultant impact of the interest rate caps will also be reviewed continuously.

Notes to the financial statements (continued)

## 20 Share capital

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 74,671,727 (2021 – 10,149,937) Ordinary shares of £1 each | **74,671,727** | 10,149,937 |

The company has one class of ordinary shares which entitle holders to voting rights and carry no rights to fixed income.

During the year the company made the following share issues to its immediate parent company, all at par:

| | |
|---|---|
| 21 March 2022 | 19,145,577 |
| 21 March 2022 | 826,306 |
| 29 April 2022 | 16,500,000 |
| 13 May 2022 | 15,599,907 |
| 19 July 2022 | 9,250,000 |
| 25 November 2022 | 3,200,000 |

## 21 Reserves

The income and expenditure reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The Company holds a revaluation reserve representing the cumulative gain on revaluation on investment properties, which is not distributable. Losses on revaluation are recognised in the profit and loss reserve unless they reverse a gain previously recognised in the revaluation reserve.

## 22 Capital expenditure commitments

| | 2022<br>£ | 2021<br>£ |
|---|---|---|
| Capital expenditure: | | |
| Expenditure contracted for but not provided in the accounts | **52,883,504** | 53,800,743 |
| Expenditure authorised by the board, but not contracted | **114,928,808** | 40,651,947 |

The Company's total commitments of £238,983,813 as noted in the Directors' Report are financed through a mixture of investment injections, external debt, generated cashflows and government grants for development activities.

Notes to the financial statements (continued)

## 23 Contingent liabilities

The Company has received grants totalling £11,427,841. £3,950,000 of these grants have been released to the Statement of Comprehensive Income following the practical completion of units in accordance with the Housing SORP. The Company has a contingent liability of £3,950,000 for grant amounts recognised in the Statement of Comprehensive Income as these may be repayable to the grant providers should there be a change of use of relevant in housing units. The same repayment requirements also impact the deferred grant amounts currently included in the balance sheet (£7,477,841) for assets that have not yet met practical completion.

## 24 Minimum future lease payments

The future minimum lease payments under non-cancellable operating leases for rental income are as follows:

| | 2022 £ | 2021 £ |
|---|---|---|
| Due within 1 year | **191,280** | – |
| Due in 2-5 years | **749,180** | – |
| | **940,460** | – |

The rental income on leases above relates to 5 year leases under the affordable rent model.

The Company also has rent receivable under 125 year leases under the shared ownership model, however since the tenant could choose to increase their ownership %, there is no minimum future rent payment.

The Company has not recognised any (2021 – £Nil) contingent rent as income in the year.

## 25 Statement of net debt

| | At 1 January 2022 £ | Cash movement £ | Amortisation of loan issue costs £ | Other £ | Interest accrued £ | At 31 December 2022 £ |
|---|---|---|---|---|---|---|
| Cash at bank and in hand | 21,383,717 | **(10,110,309)** | **–** | **–** | **–** | **11,273,408** |
| Loan | – | **(1,344,263)** | **–** | **(34,779)** | **(5,581)** | **(1,384,623)** |
| Capitalised loan fees | – | **238,556** | **(11,179)** | **298,182** | **–** | **525,559** |
| | 21,383,717 | **(11,216,016)** | **(11,179)** | **263,403** | **(5,581)** | **10,414,344** |

Other movements are made up of the commitment fee of £34,779 (2021 – £Nil) capitalised and added to the loan balance, and the capitalisation of £298,182 (2021 – £Nil) accrued loan fees.

Notes to the financial statements (continued)

## 26 Related party transactions

The Company's intermediate parent GPM RI Community Housing 1 LP (the "Main Fund"), has confirmed its intention to provide support or assistance, which may include financial support, to the Company for the period up to 30 September 2024. This will provide sufficient liquidity to the Company to settle its obligations and commitments within the next 12 months after these financial statements are available to be issued.

Man Group Operations Limited, an indirect wholly owned subsidiary of the Group of which the Company is a part, paid for certain operating fees and expenses, including organisational costs, on behalf of the Company, which are then recharged back to the Company. For the year ended 31 December 2022 these amounted to £233,976 (2021 – £73,285) of which £11,417 (2021 – £73,285) remains outstanding at the year end.

At the year end £Nil was owed by GPM CH REIT Limited, the immediate parent company in relation to the original issuance of share capital (2021 – £100).

Cash was received in advance of issuance of shares to the value of £Nil (2021 – £19,971,886). The shares were issued within the year ended 31 December 2022 to the immediate parent.

In Place Dysart Limited, a wholly owned subsidiary of the Company's immediate parent, sold 75 affordable rent units (Dysart Road, Grantham) to the Company for £7,138,864 (2021 – £Nil) of which £Nil (2021 – £Nil) was outstanding at year end. The remainder of the homes will be sold in 2023.

In Place (Coombe) Limited, a wholly owned subsidiary of the Company's immediate parent, sold 16 section 106 restricted affordable rental units to the Company for £2,008,841 (2021 – £Nil) of which £Nil (2021 – £Nil) was outstanding at year end.

In Place (CW) Limited, a wholly owned subsidiary of the Company's immediate parent, sold 79 affordable rental units to the Company for £13,591,066 (2021 – £Nil) of which £Nil (2021 – £Nil) was outstanding at year end.

All of the above companies are registered under the Companies Act 2006 and are not registered housing providers.

## 27 Controlling party

The immediate parent of the company is GPM CH REIT Limited, a company registered in Guernsey.

The intermediate parent is Man GPM RI Community Housing 1 LP, a private fund limited partnership registered in Guernsey.

The ultimate parent of the company is Conyers Trust Company (Bermuda) Ltd, a company registered in Bermuda.

The smallest and largest group of undertaking which the results of the company are consolidated is Man GPM RI Community Housing 1 LP. The consolidated accounts are not publicly available and the entity's registered office is PO Box 286 Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

## 28 Events after the reporting period

The company issued a further £24,550,000 of called up share capital issued to the immediate parent, subsequent to the year end.

The Aldershot land purchase & build agreements were signed by Habitare Homes on 15 March 2023. As part of these agreements, the Company forward funds the development of 96 unrestricted homes intended to provide for affordable rent.

The Old Malling Farm, Lewes land purchase & build agreements were signed by Habitare Homes on 18 January 2023. This scheme is expected to deliver up to 226 net zero operational carbon homes for a mix of affordable rent and shared ownership.

In Place Dysart Limited sold 28 affordable rent units (Dysart Road, Grantham) to the Company for £2,575,535.

In June 2023, the developer Ilke Homes announced they were ceasing operations and are exploring fundraising options. Ilke Homes is contracted to deliver modular homes across two sites impacting Habitare Homes: Dysart Road, Grantham and Glenvale Park, Wellingborough. Whilst we have limited exposure to their operations due to the stage of production reached on the sites, there will be a delay in the delivery of the remaining homes. The financial impact cannot be reliably estimated as at sign off date, however we continue to monitor and actively assess our options as the situation develops.