MOR

MORhomes PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

Registered office and headquarters:
Floor 8 71 Queen Victoria Street
London
Greater London
EC4V 4AY
England

Company Registration No. 10974098

Contents

DIRECTORS

R C Young
C B Tilley
P Shorthouse
A J Santry
A J Kitchingman
N J Hadden
M C Cooper
P J Symington

SECRETARY

P J Symington

REGISTERED OFFICE

Floor 8 71 Queen Victoria Street
London
Greater London
EC4V 4AY
England

AUDITOR

KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

MISSION AND OBJECTIVE

Our mission is to support the provision of Social and Affordable Housing in the United Kingdom by acting as a central borrowing vehicle designed to facilitate access to the capital markets by not for profit, registered social housing providers.

The following Objective is enshrined in our Articles of Association:

To act as a central borrowing vehicle or financial intermediary for Candidate Borrowers in order to facilitate access to the capital markets by Candidate Borrowers in the furtherance of their own objectives, in accordance with the company's business plan from time to time. The company anticipates achieving its Objective by way of issuing listed and unlisted debt securities and the entry into borrowing agreements.

"Candidate Borrowers" means registered providers of social housing, social landlords and housing associations (or equivalent) anywhere in the United Kingdom which do not distribute profits to members (referred to in this report as 'housing associations'). Subsidiary undertakings of the parent entity within the group of which a Candidate Borrower is a member are also included.

CHAIR'S STATEMENT

Having been involved in the development of MORhomes from the very beginning some three years ago, I am pleased to be writing this introduction to its first annual report.

We started the process of creating the company with the support of around 20 housing associations. In the event over 60 associations provided the initial capital to set up a platform to facilitate access to the capital markets. This has enabled us to establish the company and deliver a platform that offers many unique features and advantages, not only for our housing association borrowers but also for investors.

We issued our first bond in February and are very much open for business to make further loans to existing and potential new housing association shareholders either on an individual basis or as part of an aggregated issue. That first bond was on-lent to 11 housing associations and we are very grateful for their continued support during our start-up phase.

We are now past that start-up phase and with our first issue have established a sound financial position on which further business can be written. To that end we have adopted a corporate strategy which has three key strands:

1. Building our loan book by marketing our borrowing proposition, the advantages built into the model and new features recently developed such as our Standby Liquidity Agreement product
2. Developing good relationships with our investors, attracting more investors and progressively improving their return
3. Improving our operational efficiency, looking carefully at our running costs and providing our services on the most cost-effective basis possible.

MORhomes is committed to very high standards of corporate governance and social responsibility. All our loans are social bonds, complying with the Social Bond principles adopted in 2018. We have given examples of the social impact of our funding throughout this report.

We have a Board comprising members with long experience of both the financial world and the housing association sector. I am grateful to my Board colleagues for all the work they have done over the last 15 months. I am also grateful to Patrick Symington and his small team who have worked so hard to support the Board and get us to where we are.

We believe that MORhomes is in a great position to continue to grow the business with new loans supported by new bond issuance. Our hope is that housing associations see the benefit to the sector of having access to a financial intermediary with the advantages described in this report and begin to use it to a greater extent. The more it is used the greater the benefits it will offer to the sector as it plays its part in meeting the government's targets for new housebuilding.

Neil Hadden, Chair of the Board

"The funding Melin received from MORhomes is truly life changing. When Paul King suffered horrific injuries to his body and brain in an accident at work, he was left needing 24-hour care. We acquired a bungalow and made adaptations which meant he could live in his own home while getting the care he needed''

STRATEGIC REPORT

OUR BUSINESS MODEL AND HOW WE GENERATE VALUE

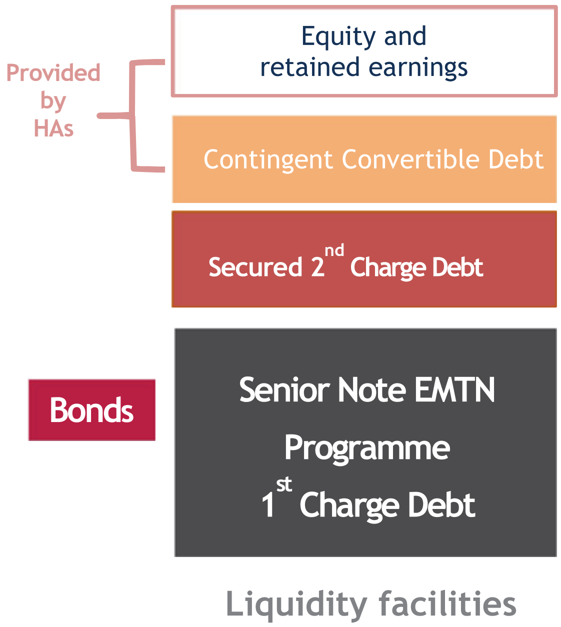
The principal way that the company furthers its mission and objectives is by establishing borrowing demand from its housing association shareholders and by issuing debt on the capital markets to meet that demand. The company's policy is to match the debt issued to the loans made both in amount and term so that it minimises the risk of being unable to meet its liabilities for interest and capital repayment.

Issuance costs are recovered from the borrower (with a margin to cover administration costs) and a small intermediation fee is added to the interest paid by the borrower.

The company offers a strong proposition to its shareholder borrowers by making the finance available on terms that compare favourably with what might otherwise be available to them. Advantages include the cost, efficiency and speed of access to the market, flexibility in the amounts that can be borrowed, transparency of the credit process and efficiency of security required. The attractiveness of the interest rate offered will depend on the alternatives available to the borrowers and the performance of the company's bonds in the market over time.

The company also offers a strong proposition to its investors. Senior and Second Secured debt holders have a charge on the company's assets, which are primarily loans to regulated housing associations, a strong sector in which there has never been reported any default of capital repayment on loans. The capital structure (illustrated in the diagram below) provides three further layers of risk bearing capital to senior noteholders as well as standby liquidity facilities. It also offers a strong credit management process including surveillance, monitoring and remediation, benchmark sized issuance with responsible regular repeat issuance, and all bonds 'Social Bonds' in accordance with the Social Bond Principles 2018.

MORhomes Capital Structure



Share capital is subscribed in two ways. Firstly, to become eligible to be borrowers, housing associations must subscribe initial share capital. Over 60 housing associations became shareholders prior to the inaugural issue, and this capital was used to set up the platform and provide initial equity in the capital structure. Secondly, borrowers are required to use a fixed percentage of their loan to subscribe to further shares in the company and contingent convertible debt, thus maintaining the level of these risk bearing capital buffers.

MORhomes' strategic objective is to take a significant share of the market for housing association capital markets debt issuance. Even at low levels of issuance the fees we earn cover our operating costs. By continuing to issue new loans the economies of scale will enable us to make a profit in the long-term, providing a return to shareholders.

The platform to carry out our business has now been established. This in itself also provides value to our existing shareholders who are now able to use it to access the debt capital markets. There are around 140 more housing associations who may wish to buy into the company and use the platform, generating further value for the existing founding shareholders.

REVIEW OF THE YEAR

MORhomes started trading on 1 March 2018 as MORhomes Ltd and converted to a PLC on 4 June 2018. The company achieved its main objectives for the period by establishing the platform to act as a central borrowing vehicle and issuing its first £250m bond. This was a considerable achievement.

In the initial start-up period we:

- Set up the governance and operations of the company
- Gained over 60 housing association sponsor/ shareholders
- Developed the documentation for a £5bn European Medium Term Note (EMTN) bond issuance programme together with documentation for second secured debt, liquidity facilities and on-lending to housing associations
- Obtained a credit rating from Standard & Poor's for the company (and subsequently the bond) of A- with a positive outlook

Setting up the platform proved somewhat more complex than we had anticipated and whilst this was achieved by January 2019, this was later than we had originally planned. To ensure that the company was properly funded in the period up to the issue of the first bond, we made a rights issue of shares, which was well supported by shareholders.

The EMTN programme was launched in January 2019 and resulted in a successful issue of a £250m 19-year bond on 19 February 2019. This was supported by the issue of £10m of second secured debt and £260m was on-lent to 11 housing association borrowers (from 9 groups).

The result for the period was a loss of £0.7m as a result of costs incurred to set up the company before the first issue.

We have established a sound financial position. As at March 2019 shareholders' funds are £2.5m. Of this, £1.3m was equity that borrowers were required to subscribe at the point of borrowing, which was retained as cash and is part of the capital structure designed to reduce the risk for investors. A further £0.3m is the equity value of contingent convertible loans provided by borrowers. The remaining £0.9m represents the initial membership equity from the 62 housing associations that set up the company, after allowing for the loss in the period. By issuing the bond and on-lending at an interest rate that includes an intermediation fee we have established a regular source of income for the life of the 19-year bond.

Our credit management systems, which are a key part of our operations, are well established and based on our good understanding of our housing association borrowers. We have developed a credit model which uses historic data and forecast financial projections, which are based on data supplied to the Regulator of Social Housing. We have established credit monitoring systems and the loan documentation enables us to call for cash in an interest reserve account if borrowers exceed their borrowing limit as a result of weakening of their credit status.

In the initial set-up period, the principal objectives were to set up the company and make the first issue (both achieved) and it was not relevant to set detailed performance indicator targets. Since the first issue the company has established a performance management system including a corporate scorecard to monitor key financial and non-financial indicators, which are being monitored and can be reported on in future.

The Board's assessment of the position of the company's business at the end of that year is given below.

FUTURE STRATEGY

Our long-term strategy is based on the business model described above with an objective of taking a significant share of the market for housing association debt capital markets (DCM) issuance.

Our success is dependent on borrowing demand from housing associations. Following our first issue we are 'Open for Business' and can offer loans to housing association shareholders or potential shareholders in amounts from £10m upwards, either individually or in groups. We have developed a new 'Standby Liquidity Agreement' product which takes advantage of the speed and efficiency of access to the market which we can offer. For a fixed fee we can approve credit and prepare all the necessary documentation for a borrower to go to the market, held ready to execute on the borrower's instruction. This gives the borrower access to the market at as little as 2-4 weeks' notice for a fraction of the cost and resources required to access the market through other routes.

Our short-term strategy concentrates on

- marketing our borrowing proposition to shareholders and potential shareholders. Our current shareholder/ sponsors represent around one third of the housing association DCM issuance market (by borrowing requirement and number) which puts us in a strong position to achieve our market share objectives. The remaining two thirds are also potential shareholders and borrowers and we are also marketing to these.
- Marketing MORhomes to investors with a view to attracting more investors and progressively improving their return by reducing the spread to gilts at which our bonds trade
- Improving our operating efficiency and flexibility to adapt to different levels of existing and new business.

Hafod was able to use the MORhomes funding to support the £7m development of the former Aberdare Girls School in the Cynon Valley. Working in partnership with the developer, ASD Build Limited and Rhondda Cynon Taf County Borough Council, the scheme consists of 44 affordable homes for social rent due for completion in early 2020. The development has preserved the existing Edwardian school building to provide 26 apartments for people over 55 whilst the remainder of the site includes 18 brand new houses and bungalows, many of which will be capable of adaption to house elderly or less mobile residents.

RISK MANAGEMENT AND PRINCIPAL RISKS

The Board has established an effective framework of risk management. This starts with the Governance framework and includes robust systems of internal financial control. Key features include:

- A strong Board with skills in our key business areas including credit management, bond issuance, corporate finance, audit, corporate governance and the housing association market (see details of directors below)
- Dedicated specialist committees covering key risk areas (see description of committees below)
- A risk register overseen by the Audit and Risk Committee and regularly reviewed by the Board
- A capital structure and treasury management policy that minimises risk and ensures liquidity. Bond liabilities are matched 'back to back' with loans, with interest and capital from loans receivable 10 days before bond payments are due. Risk to bondholders is minimised by equity and contingent convertible loans provided by borrowers, second secured debt and standby liquidity facilities
- Strong credit management systems
- A long-term financial business plan stress tested and independently verified
- An operating manual identifying all key operational risks, with control systems to ensure risks are appropriately managed
- A performance reporting system including KPIs and a corporate scorecard reported monthly to the Board.

The Board has responsibility for and has carried out a review of the effectiveness of the company's risk management and internal control systems. Further details are given in the report on the work of the Audit and Risk Committee below. No significant weaknesses were identified.

The Board has agreed the following high-level approach to risk management:

- A risk is defined as anything that threatens our ability to achieve the corporate strategy or objectives
- A corporate risk register is maintained that identifies key corporate risks, controls currently in place and sources of assurance for the Board
- The current status of the risk is monitored with reference to the level of threat to corporate strategy or objectives
- 'Critical actions', defined as the most important actions to ensure risks to achieving the corporate strategy or objectives are mitigated, are identified and monitored by the Board
- The risk register is reviewed by Audit and Risk Committee and reported to the Board
- It is recognised that the opposite of a risk is an opportunity, and it is equally important to identify where an opportunity might be missed.

The Board has carried out a robust assessment of the principal risks (financial and non-financial) facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks, and how they are being managed, are as follows:

Principal risks	Management of risks
Credit risk on individual borrowers and housing association sector	Credit policy including exposure limits; credit management and monitoring process; capital structure to withstand losses. See comments under 'Our Business Model' above.
Lack of borrowing demand from housing associations including due to changes in their business plans and market conditions and competition from alternative sources of funding	Marketing approach described above; contingency plans to ensure that costs can be met from assured income
Operational risks including control over cash and payments and meeting bond obligations	Operating manual defining all key controls and relevant procedures in place; accounting functions outsourced to reputable firm (RSM).

Other risks	Management of risks
Interest rate or pricing risk	Interest payable on bonds is at a fixed rate and matched over the term of the bonds by the interest receivable from loans.
Liquidity' and cash flow risk	Interest receivable from loans is due 10 business days before interest payments are due. The company's capital structure (see diagram in strategic report) has been stress tested under extreme credit loss scenarios and is designed to maintain liquidity with (1) equity including a subscription by borrowers equal to 0.5% of loans made, retained from bond proceeds as cash (2) conditional convertible loans from borrowers equal to 1.15% of loans made which convert to equity under certain circumstances (3) a structure of first and second secured debt and (4) standby liquidity facilities
Brexit risk	See note in Governance Report, Audit and Risk Committee section

The Board confirms that there have been no events subsequent to the balance sheet date up to the date of this report, or likely future developments, that affect its assessment of the principal risks.

ASSESSMENT OF BUSINESS POSITION AND FUTURE PROSPECTS

At the end of the year the company has established a platform that enables it to raise funds and lend them on to its shareholder borrowers. It has issued its first bond and on-lent it under terms that gives it a secure base and future income sufficient to cover its operating costs. In addition, the loan agreements allow the company to recover a wide range of administration costs from borrowers if necessary. The Board has assessed the potential credit losses from its loans and calculated an impairment provision. The Board therefore has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due for the 19-year life of the bond, even in the event that it does no further new business.

However, the Board believes that it is in a good position to continue to grow the business with new loans supported by new bond issuance, as set out in the strategy above, and believes that its objectives for issuance are achievable over the next 1-5 years.

The flexible operating structure in place means that the business can scale up its operations to meet the demand for new loans and increase its profitability as it wins new business.

The MORhomes loan went into general funding of A2D. These are typical schemes funded by these loans: 1 & 2 bedroom apartments located in the heart of Crawley, West Sussex delivering 55 shared ownership and 11 affordable rented homes. The apartments offer a quality interior specification with thoughtfully designed open living space (Centre Picture); A scheme featuring a mixture of two to five-bed homes delivering 42 shared ownership and 38 affordable rented homes (Top and Bottom Left); a former factory site transformed into 225 homes featuring one-bed apartments to four-bed houses delivering 59 shared ownership and 127 affordable/ intermediate rented homes, working in partnership with the London Borough of Hounslow (Top and Bottom Right).

Signed on behalf of the Board

DocuSigned by:

EE3F92D9B968463...

Neil John Hadden
Director

7/31/2019

DIRECTORS' REPORT

The directors submit their report and the financial statements for the 13 month period ended 31 March 2019.

The financial statements are presented for a period longer than a year as this is the company's first period of trade. In the comparative period the company filed dormant financial statements.

PRINCIPAL ACTIVITIES
The principal activity is to facilitate access to capital markets by not for profit, registered social housing providers by provision of a central borrowing vehicle.

RESULTS AND DIVIDENDS

The results for the period are set out on page 32.

A review of the results is included in the Strategic Report.

No dividends are proposed for the period (February 2018: £Nil).

DIRECTORS

Details of directors who served in the period and up to the date of this report are set out in the section on directors below.

CORPORATE SOCIAL RESPONSIBILITY

MORhomes' mission is to support the provision of Social and Affordable Housing in the United Kingdom by acting as a central borrowing vehicle designed to facilitate access to the capital markets by not for profit, registered social housing providers. It therefore has an inherently social purpose.

All MORhomes' bonds are Social Bonds in accordance with the Social Bond Principles 2018[1]. The core components of these principles are: the use of proceeds (for social purposes); the process for project evaluation and selection; management of proceeds; and reporting.

MORhomes has established a Social Bond Framework following these principles, which can be found on our website. We have also obtained an independent second party opinion from Sustainalytics who conclude that they 'are of the opinion that the MORhomes Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2018'. A link to the full report on the Sustainalytics website is also available from our website.

The £260m of funds raised were simultaneously on-lent to housing associations and the funds will all be used for social housing or related projects. Examples of these projects are shown throughout this report. We will publish our first annual social impact report during the coming year.

MORhomes' funding is helping towards Melin's targets of delivering new homes and undertaking a comprehensive development program. They are currently on-site building over 300 new homes and say "we build the homes, but also place a high value on relationships with partners and residents to truly help communities thrive". The picture shows a pilot project in Monmouthshire giving a young family the chance to get on the property ladder through a 'rent to own' scheme.

[1] Social Bond Principles - https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/

MORhomes' wider corporate social responsibility is underpinned by its regard for the UK CGC. This includes governance structures and commitment to the principles of contributing to wider society and to meeting its responsibilities to shareholders and stakeholders.

We operate our business in a way that minimises our impact on the environment. We are an entirely digital business which minimises the use of paper and other resources. We have flexible office arrangements and communicate wherever possible electronically or by telephone. These arrangements reduce our travel and usage of energy and other resources used by offices as well as contributing to overall efficiency.

The company's culture reflects our social purpose and the ethos of our not for profit shareholders. The review of Board effectiveness (see Governance report) concluded that the Board has established an effective culture. The Board is satisfied that policy, practices and behaviour throughout the business are aligned with the company's purpose, values and strategy.

The Board has approved an Anti-Bribery Policy outlining its position on preventing and prohibiting corruption in all its forms.

New housing scheme to be built by Heart of Medway HA (part of MHS Homes Group) with funding from MORhomes. This £10m scheme in Rochester will provide 54 homes for the over 60s at Affordable Rents.

STAKEHOLDER ENGAGEMENT

All the shareholders in the company are registered providers of social housing (or equivalent, see Mission Statement, above). Under the Company's Articles of Association, borrowers must be shareholders. This gives the company a unique strength in the alignment of the interests of its borrowers with the interests of the company.

The company has good engagement with shareholders that reflects this relationship and the nature of the business. The company circulates a weekly market update to shareholders and provides regular shareholder newsletters. The company held its Annual General Meeting (AGM) in December 2018 which included a presentation to shareholders and an opportunity for shareholders to ask questions of the Board. We also held a meeting for all shareholders in April 2019 where we set out our current business position and proposed approach for the future, with an opportunity for shareholders to discuss the plans and raise questions. The meeting was well attended with over half of shareholders represented and shareholders were very supportive of the proposed approach. Similar events are planned for later in the year. Shareholders can also contact the Chair or Senior Independent Director directly at any time.

The Board has also set up a 'Borrowers Advisory Group' to act as a sounding board and provide input to the Board of MORhomes on matters that are important to shareholder borrowers and potential borrowers. The Group met regularly during the year and provided important input on a range of issues including formally agreeing the borrower loan agreement documentation with independent legal advice.

The Board also takes its responsibilities to investors very seriously and is committed to holding an annual investor meeting, providing quarterly business reviews and yearly and half yearly accounts and other information required by the bond documentation. The Board has charged the Senior Independent Director with being available as a direct point of contact for investors in the company and to act in response to any concerns raised maintaining an independence from the Chair and the Executive if required. The contact point and other investor information can be found on the investor relations section of the company's website.

The company has a small workforce who are closely engaged in the company's work. A whistleblowing policy is in place and the Board has designated the Senior Independent Director as the director responsible for engagement with the workforce. Remuneration is set with reference to benchmarks for market rates for comparable roles.

FINANCIAL INSTRUMENTS

The company's borrowing is at fixed interest and matched by loans for the same term at fixed interest.

The company's approach to financial risk management and its exposure to risk are discussed in the Strategic Report above.

GOING CONCERN

After making enquiries, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report and Accounts.

See also note 1 to the Financial Statements (Accounting Policies) and the assessment of business position and future prospects in the Strategic Report.

INDEPENDENT AUDITORS

KPMG LLP were appointed as auditor of the company for the period at the Annual General Meeting on 19 December 2018.

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed by the Board at the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each director has confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

SHARE CAPITAL

The company issued share capital totalling £465,000 during the period. The capital raised from the share capital issues was £2,945,000 (see note 16 for further details).

STRATEGIC REPORT

Information on the principal risk and uncertainties and financial risk management objectives and policies as required by Schedule 7 of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulation 2008 has been included in the Strategic Report.

No political donations were made in the period.

On behalf of the Board

DocuSigned by:

EE3F92D9B968463...

Neil John Hadden
Director

7/31/2019

GOVERNANCE REPORT

CODE OF GOVERNANCE

Corporate governance comprises the body of human behaviours and corporate practices and procedures which determine the manner in which a company should operate, supplementing the legal framework of what is permissible and the manner in which activities are to be carried out.

MORhomes is aware of the position it occupies as a non-traded public company, with listed debt instruments and a business model which specifically supports the social and affordable housing sectors. The Board has a clear vision of the manner in which the company should operate and the reasons for such conclusions. In addition to its shareholders, the Board is aware of the vital role of the company's key stakeholders, which importantly comprise its employees, its lenders, its borrowers and those public organisations which also provide financial support to its borrowers.

Whilst MORhomes is under no legal or regulatory obligation to apply any code of corporate governance or practice, the Board has determined that a high level of corporate transparency, corporate responsibility and the highest standards of business ethics and probity are vital to the company's success. Accordingly, the Board determined that it would seek to have regard to the principles of the UK Corporate Governance Code issued by the Financial Reporting Council on 16 July 2018 (the UKCGC) to itself in an effective and proportionate manner from 1 August 2018.

ROLES OF BOARD, COMMITEES AND EXECUTIVES

The company is governed by a Board which is responsible for achieving the company’s objectives and all of its activities. Neil Hadden, as the Chair, leads the board and is responsible for its overall effectiveness in directing the company.

The company’s articles of association require that: at least two directors are independent of the company and independent from the social and affordable housing providers sector; one or more independent directors have relevant experience in accounting, risk and capital markets matters; and at least two shall have relevant housing experience. During the period the Board consisted entirely of non-executive directors. The Chief Executive was appointed to the Board in July 2019. The Board considers that all the non-executive directors are independent of the company and that all the above requirements have been met throughout the period.

The company has appointed Malcolm Cooper as Senior Independent Director (SID) who is responsible for carrying out the appraisal of the Chair and is a direct point of contact for investors and other stakeholders in the company and to act in response to any concerns raised maintaining an independence from the Chair and the Executive if required.

The Board is responsible for the overall strategy and direction, monitoring of the company’s performance and is responsible for key policies and decisions.

The Board has established 5 committees which are responsible for key areas of business and are described further below. It has appointed a Chair of each committee to lead the Committee and ensure that it functions independently of the executive.

The Board has delegated responsibility to the Chief Executive to implement the corporate strategy and to manage all functions and operations.

Further details of the roles and responsibilities of the Directors, the Chair, the SID and the Chief Executive are available on request from admin@morhomes.co.uk.

BOARD EFFECTIVENESS

Details of the skills and experience of individual directors and committee members are given below. They include a good balance covering the company's key business activities of bond issuance, credit, corporate governance, corporate finance, audit and accounting, social housing and corporate social responsibility.

Directors and committee members receive an appropriate induction and training is available where required. They receive regular information from the executive and professional advisers, including market reports, legal advice and performance information. Information for Board and committee meetings is issued in advance of meetings, normally one week. Individual members have direct access to professional advice including company secretarial advisers.

Members of the Board were all appointed during the early start-up phase of the company before it had converted to a PLC and before it had regard to the principals of the UK Corporate Governance Code. This did not involve open advertising or the use of external search consultants. Future vacancies under its arrangements for replacement and renewal of Board members (see below) will be advertised openly.

The Board has carried out a review of the effectiveness of the Board and committees and appraisals of individual directors and committee members, overseen by the Nomination and Remuneration Committee (see below).

The main conclusion of these reviews was that MORhomes has an effective Board with the required skills. The review identified some actions to further improve Board effectiveness including addressing Board diversity as current members retire, continuing to build an effective culture including regular strategy sessions and developing a corporate scorecard (now in place) to give a comprehensive view of performance in delivering the strategy. These points are being addressed.

The Nomination and Remuneration Committee has set a policy that directors may only serve for a maximum of 9 years and the Chair for a maximum of 6 years. It has established a process for replacement and renewal of Board members with the objective of a phased replacement of all directors within the first 9 years, starting no later than the 2020 Annual General Meeting. All directors are subject to re-election annually at the Annual General Meeting.

Directors and committee members are subject to contracts for their services which amongst other things set out responsibilities, minimum time commitment and general skills required. Continued membership is subject to satisfactory performance. The notice period for contracts is 1 month.

Some of the directors have other appointments which have been declared and individually approved by the Board. Details are given below in the section on individual directors. The Board considers that these appointments enhance rather than impair directors' ability to carry out their duties as directors of MORhomes. Any conflicts arising from these and other interests of directors are declared and managed where necessary.

The Board meets at least once a year without any Executive officers present.

The performance of the Chair is appraised by the Senior Independent Director and the Board meets at least once a year without the Chair present and at this meeting reviews the performance of the Chair.

COMMITTEES OF THE BOARD

The Board has established Committees, each with specific terms of reference approved by the Board and summarised below. Committee chairs report to the Board on the proceedings of their committees and the minutes of all committee meetings are included in papers distributed to Board members. The board and committees meet at regular intervals to cover all on-going business and ad hoc meetings are convened as necessary.

Detailed terms of reference of committees are available on request from the company by emailing admin@morhomes.co.uk.

Committee members are appointed by the Board. The committees that each director and committee member currently serve on are given in the section on Directors and Committee members below.

The following sections contain a summary of the membership, responsibilities and work carried out during the year by each committee.

NEW ISSUES COMMITEE

The Committee comprises at least three members all of whom must be non-executive directors. At least half of the members of the committee are independent of the company and the social and affordable housing providers sector and between them have experience of both debt markets and borrowing vehicles.

At the date of this report the Chair of the Committee was Malcolm Cooper and its members Andrew Kitchingman and Peter Shorthouse.

The main responsibilities of the Committee are to oversee new debt issues and act as a point of contact for investors.

During the period the committee reviewed the documentation relating to the issuance programme and oversaw the programme launch and issuance of the first bond, the second secured debt and standby liquidity facilities.

CREDIT COMMITTEE

The committee comprises at least three members, one of whom must have credit experience and one relevant housing experience with one of each category of member necessary for a quorum.

At the date of this report the Chair of the Committee was Peter Shorthouse and its members Malcolm Cooper, Ann Santry, David Carton and Andrew Newberry.

The main responsibilities of the Committee are to

- review documentation relating to loans
- oversee the company's borrowing application process
- review the overall policy and process for granting credit approval to borrowers
- receive reports from independent credit service providers and approve individual credit applications in accordance with the company’s policy
- oversee the process of granting loans to borrowers
- oversee the process of on-going monitoring of borrower creditworthiness and approve periodic credit rating updates of individual borrowers
- approve changes to a borrower for which permission is required under the terms of loan agreements in accordance with the company’s policy
- review reports on any material breaches of risk limits and the adequacy of proposed action.

During the period the committee established the processes for credit management and monitoring and remediation, approved the credit limits for 21 prospective borrowers and oversaw the granting of 11 loans to 9 borrower groups. Following the period end the committee established the detailed processes for monitoring business information provided by borrowers under the terms of their loan agreements and reviewed the information provided for the quarter ended March 2019.

NOMINATION AND REMUNERATION COMMITTEE

The committee comprises at least three members, all of whom are independent non-executive Directors and who do not include the Chair of the Board.

At the date of this report the Chair of the Committee was Charles Tilley and its members Ann Santry and Robert Young.

The main responsibilities of the Committee are:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board
- succession planning for directors and other senior executives
- to keep under review the leadership needs of the organisation
- to identify and nominate candidates to fill board vacancies
- to oversee the performance evaluation of the Board, committees and Board Chair
- to agree directors' contracts
- to set the remuneration policy for executive directors and the Board Chair, including any compensation payments
- to recommend and monitor the level and structure of remuneration for senior management
- to oversee the company's implementation of and compliance with its code of governance.

During the course of the year the committee oversaw an evaluation of the effectiveness of the Board and its committees. The review involved the completion of a questionnaire by all Board and Committee members and an interview with each member carried out by the Chair of the committee. Board effectiveness evaluations will be carried out annually, with independent external evaluation at least once every three years.

The committee also oversaw a process of appraisal of the performance of each individual director by the Chair and a process is in place to map members' skills against a matrix of requirements and to meet any skills gaps or training requirements.

The outcome of these reviews is reported in the Board Effectiveness section above.

The committee has formulated a Diversity and Inclusion policy which has been approved by the Board. This recognises the importance of diversity to support the company's mission to support social housing via not for profit, registered social housing providers and includes actively encouraging equality and diversity on the Board and in the workplace. The committee will be applying these principles in future recruitment of Board and Committee members and senior executives.

The experience of the directors and senior executives is set out below.

At the end of the year 50% of senior executives and 14% of Board members were female.

The Committee has set a policy for the remuneration of senior executives which includes benchmarking against appropriate market comparators. Executive pay and objectives are aligned with the long-term shareholder interest. During the year all senior executives were paid salaries at a fixed annual rate based on market rates for the services provided, approved by the Committee and which the Committee considers appropriate for the current stage of the company's development. No bonus or incentive schemes were in place. Details of executive remuneration can be found in Note 7 to the Accounts.

The Committee has also set a policy for the remuneration of non-executive director posts which includes benchmarking against appropriate market comparators. In accordance with this policy, the Committee has agreed the remuneration of the Chair of the Board. On the advice of the Committee and in accordance with the policy, the Board has set the remuneration of other non-executive director posts.

AUDIT AND RISK COMMITTEE

The committee comprises at least three members, all of whom are non-executive Directors and of whom at least one has recent and relevant financial experience with competence in accounting and/or auditing and one experience of the industry in which the company operates.

At the date of this report the Chair of the Committee was Andrew Kitchingman (appointed 27 March 2018) and its members during the period were Matthew Bailes (appointed 2 March 2018, resigned 6 November 2018), Charles Tilley (appointed 2 May 2018) and Robert Young (appointed 6 March 2018). The Committee met in July 2018 (all current members attended) and June 2019 (all current members attended). The Committee plans to meet approximately quarterly in future.

The main responsibilities of the Committee are:

- to monitor the integrity of the financial statements of the company, including all formal statements relating to its financial performance and financial reporting judgements in the statements
- to review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable
- to keep under review the company's risk management and internal financial control systems
- to review and approve the statements to be included in the annual report concerning internal control and risk management
- to oversee and advise the board on the current risk exposures of the company and future risk strategy
- compliance, whistleblowing, prevention of fraud and bribery
- internal audit
- to consider and make recommendations to the board on the appointment, re-appointment and removal of the company's external auditor
- to assess annually the external auditor's independence and the effectiveness of the audit process and review the policy on the provision of non-audit services by the auditor
- to meet with the external auditor without management being present at least once a year
- to review the findings of the audit with the external auditor.

The external auditor was recommended for appointment during the period following a tendering process overseen by the committee.

The committee is satisfied as to the independence of the auditor. The company's policy is that the auditor should only provide services related to the audit (including advice on accounting policies) and provision of 'comfort letters' relating to debt issuance. The Committee assessed the work of the auditor following the period end audit and was satisfied with their effectiveness.

During the course of the year the Committee established a process of risk management and has advised the board on the current risk exposures of the company (as reported above).

Following the period end the committee carried out a formal review of the effectiveness of the systems of risk management and internal control and reported on the review to the Board, which approved the review. The conclusion of the review was that no fundamental weaknesses were identified from this review. However, the review identified a number of action points to further improve internal control, and these are being implemented.

The committee reviewed the financial statements for the period. The significant issues considered were:

- Impairment, where the Committee discussed and agreed the calculation of the impairment provision
- Effective interest rate accounting where the Committee considered the technical accounting treatment in applying effective interest rate accounting to the Company's financial instruments to approve the amounts recognised in the financial statements
- The United Kingdom's plans to leave the European Union ('Brexit'), where the Committee noted that its business had no direct exposure to the effects of Brexit. Its housing association borrowers are to some extent exposed to a fall in the property market and potentially affected by rising costs, particularly of maintenance costs. These exposures are monitored via the metrics in our credit model and taken into account in our credit assessments. However, the demand for the core business of housing associations, rental of affordable housing, is counter-cyclical, tending to increase in times of economic uncertainty.

Given the scale of the company's operations and strength of the existing control system the Board does not consider that an internal audit function is required at present. The committee will consider whether to establish an internal audit function, and in what form, once the company's systems have been established and operating for some time.

The company has a Whistleblowing Policy in place which enables staff to raise concerns in confidence directly with appropriate Directors about possible improprieties in matters of financial reporting or other matters.

SOCIALLY RESPONSIBLE INVESTMENT (SRI) COMMITTEE

The committee currently comprises four members who are directors.

At the date of this report the Chair of the Committee was Charles Tilley and its members Ann Santry, Malcolm Cooper and Neil Hadden.

The main responsibilities of the Committee are:

- to oversee the company's SRI strategy and policy
- to oversee the establishment of a Framework to demonstrate the company's alignment with the Social Bond Principles 2018 (see reference above), making its entire bond programme Social Bonds under these principles and to oversee the arrangements to ensure the bonds remain in alignment with the Principles, including ensuring bond proceeds are utilised in accordance with the uses specified in the Framework
- to oversee the introduction and operation of arrangements to generate the information required to produce periodic Social Bond Reports, in accordance with the Framework and the Social Bond Principles

During the course of the year the committee established and approved the company's social bond Framework and obtained a second party opinion on its compliance with the Social Bond Principles 2018. It has subsequently met to monitor the company's continuing alignment with the Framework and the Social Bond Principles, including utilisation of the bond proceeds. The Committee has confirmed that this is the case, and further details are included above in the Strategic Report. The Committee has planned the content and production of a social bond report for later in the year.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the number of meetings of the Board and each committee for which each director and committee member was eligible to attend during the period and the number attended by each director and committee member.

Member	Board meetings		New Issues Committee		Credit Committee		Nomination and Remuneration Committee		Audit and Risk Committee		Socially Responsible Investment Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Directors												
R C Young	20	16	-	-	-	-	3	3	1	1	-	-
C B Tilley	17	16	-	-	-	-	3	3	1	1	1	1
P Shorthouse	20	16	7	6	13	12	-	-	-	-	-	-
A J Santry	20	16	-	-	13	7	3	3	-	-	1	1
A J Kitchingman	19	13	7	4	-	-	-	-	1	1	-	-
N J Hadden	20	19	-	-	-	-	-	-	-	-	1	0
M C Cooper	20	17	7	7	13	11	-	-	-	-	1	1
M Bailes	15	13	-	-	-	-	-	-	1	1	-	-
Committee members												
D Carton	-	-	-	-	13	12	-	-	-	-	-	-
A Newberry	-	-	-	-	9	8	-	-	-	-	-	-

The initial set-up period of the company was one of intensive activity. Going forward the Board plans to have around 4 regular and 2 strategic meetings per year with the circulation of performance management information monthly and further meetings if required. It is expected that attendance will be higher with this more structured programme.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The company maintains liability insurance for its directors and officers. This insurance was in place throughout the financial period and at the date of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS

Directors who have held office during the year and up to the date of this report, with details of their roles and experience

Neil Hadden | Chair of Board

Member of Socially Responsible Investment Committee

Neil entered the housing sector in 1978 and spent 27 years at the Housing Corporation, which was the industry regulator and funder prior to Homes England and the Social Housing Regulator, where he held a number of positions, including serving as Deputy Chief Executive. He moved to Aldwyck Housing Association in 2005 and led the group through significant growth in his role as Chief Executive. He became Genesis' Chief Executive in October 2009. Neil left Genesis in April 2018 upon the merger with Notting Hill. Neil is also Chair of Golden Lane Housing Association.

Malcolm Cooper |Chair of New Issues Committee and Senior Independent Director

Member of Credit Committee and Socially Responsible Investment Committee

Appointed 2 March 2018

Malcolm is a finance professional with wide experience in infrastructure, property and construction. He spent over fifteen years as Group Treasurer for National Grid plc, running the very extensive funding programme which had debt of around £25bn and annual funding needs of £2bn-£3bn pa. Having retired from National Grid in 2017, he is a non-executive director at: CLS Holdings plc where he Chairs the Audit Committee and is Senior Independent Director at Morgan Sindall plc where he Chairs the Audit Committee and the HSE Committee. He is also a member of the Audit Committee of Local Pensions Partnership Ltd.

Peter Shorthouse| Chair of Credit Committee and Director

Member of New Issues Committee

Appointed 2 March 2018

Peter joined Paragon Banking Group in September 2010 as Director of Treasury and Structured Finance and has over 30 years of experience within financial services. After completing his MBA at London Business School, he joined SG Warburg in 1986, marketing capital market products to the UK franchise. He subsequently became a Managing Director at UBS where he led its London securitisation group for 16 years. His specialism at Paragon is all aspects of funding and cash management, together with serving on the company's Executive and ALCO committees.

Charles Tilley | Chair of Nomination and Remuneration Committee and Socially Responsible Investment Committee and Director

Member of Audit and Risk Committee

Appointed 2 May 2018

Charles successfully led CIMA (Chartered Institute of Management Accountants) as Chief Executive from 2001. He achieved 90% membership support to integrate CIMA's activities with those of the American Institute of Certified Professional Accountants in 2016, forming a $300 million organisation supporting 600,000 members globally. On formation, he was appointed part time chairman of the CGMA Research Foundation focused upon the issues critical to the ongoing relevance of the Management Accounting Profession facilitating good governance and decisions. Charles is also chairman of IFAC's Professional Accountants in Business Committee and a member of the International Integrated Reporting Council.

Andrew Kitchingman | Chair of Audit and Risk Committee and Director

Member of New Issues Committee

Appointed 27 March 2018

Andrew Kitchingman is Chairman of Mpac Group Board as of April 2018. He is also a member of the Audit Committee and a member of the Remuneration and Nomination Committees. He is a non-executive director of Lonpro Holding PLC and Incommunities Group Limited and is a director of The Cathedral Choir School Ripon Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales and formerly worked in corporate finance for a number of firms, including KPMG, Hill Samuel, Albert E Sharp and Brewin Dolphin. Andrew joined the Board of the Andrews Sykes Group PLC as of July 2018 as a non-executive Director and is Chairman of The British Board of Agreement Ltd.

Ann Santry | Member of Credit Committee, Nomination and Remuneration Committee and Socially Responsible Investment Committee and Director

Appointed 2 March 2018

Ann was the CEO of Sovereign Housing until June 2018 and led the growth of the business from 11k to 56k homes through both merger and development. Prior to Sovereign she was CEO of the Swaythling Housing Society (now part of the Radian Group) and Development Director at the Guinness Trust. She was awarded the CBE in 2012 for services to social housing. Ann is a NED on the Board of the States of Jersey Development Company as well as Chair of the Remuneration Committee. She is also Chair of the Barnwood Trust and was previously Vice Chair of the National Housing Federation.

Rob Young | Member of Audit and Risk Committee and Nomination and Remuneration Committee and Director

Appointed 2 March 2018

Rob is a fellow of the CIH with substantial experience of the housing sector working in local authorities, housing associations and a new town. He has been a chief executive for nearly 17 years with Helena Partnerships and latterly Torus, before retiring in December 2018. Rob has a range of NED experience both within and outside the sector and is Trustee and Chair of Port Sunlight Village Trust.

Patrick Symington | Chief Executive

Chief Executive throughout the period and to date
Appointed to the Board 3 July 2019

Patrick is a finance professional, originally from the private sector, with long experience in the housing sector as an executive director, NED and consultant. Patrick was most recently Executive Director at First Wessex responsible for Finance, IT, Governance and Business Transformation. Until recently he was also a Board Member and Chair of Risk at Stonewater HA.

Matthew Bailes | Director

Appointed 2 March 2018 – Resigned 6 November 2018

COMMITTEE MEMBERS

David Carton | Member of Credit Committee

David Carton joined Legal & General Investment Management in 1981and spent 35 years as an equity and credit analyst covering a wide range of companies and sectors including the Social Housing sector. He was a member of Legal & General Investment Management's credit rating committee for several years up to his retirement in 2016. David is a member of Evolve Housing + Support's Audit Committee and a Board member at Mount Green Housing Association.

Andrew Newberry | Member of Credit Committee

Andrew is a fellow of the Institute of Chartered Accountants in England and Wales. He has over 20 years of experience in housing as a Director of Finance, during which time he helped his group (Radian Housing) grow from 3.5k to over 23k homes. This was achieved through organic growth funded through bank debt and bond issues and through merger. Prior to this he worked in Industries including Financial Services, Construction and Property Development, after working for an international firm of chartered accountants in the UK and Africa. He is a NED at TPT Retirement Solutions, a Pension Master Trust with over 2,600 employers 300,000 members and £10bn of assets under management.

OTHER SENIOR EXECUTIVES

Elizabeth Froude | Interim Chief Financial Officer

Appointed 18 February 2019 – Resigned 30 June 2019

COMPANY SECRETARIAL

The Company Secretary is Patrick Symington.

PRINCIPAL ADVISORS

Financial advisers:
JCRA , 12 St James's Square, St. James's, London SW1Y 4LB

Legal advisers (documentation):
Devonshires, 30 Finsbury Circus, Finsbury, London EC2M 7DT

Legal advisers to bondholders:
Allen & Overy LLP, One Bishops Square, London E1 6AD

Legal advisers (governance):
Wedlake Bell, 71 Queen Victoria St, London EC4V 4AY

Company administration and accounting service providers
RSM, 25 Farringdon St, Farringdon, London EC4A 4AB

SHAREHOLDERS

The following is a list of shareholders as at the 31 March 2019

1 A2Dominion Housing Group Ltd
2 Aster Group Ltd
3 Broadland Housing Association Ltd
4 Clanmil Housing Association Ltd
5 Coastal Housing Group Ltd
6 Colne Housing Society Ltd
7 Cottsway Housing Association Ltd
8 Cymdeithas Tai Newydd
9 East Midlands Housing Group Ltd
10 Flagship Housing Group Ltd
11 Fortis Living Group
12 ForViva
13 Futures Housing Group
14 Gentoo Group Ltd
15 Golding Homes Ltd
16 Grwp Cynefin
17 Hafod Housing
18 Halton Housing
19 Hastoe Housing Association Ltd
20 Heart of Medway Housing Association Ltd
21 Hexagon Housing Association Ltd
22 Hightown Housing Association Ltd
23 Housing Solutions
24 Hyde Housing Association Ltd
25 Incommunities Group Ltd
26 Jigsaw Homes
27 Karbon Homes Ltd
28 Liverpool Mutual Homes Ltd
29 LiveWest
30 Local Space Ltd
31 Melin Homes Ltd
32 Midland Heart Ltd
33 Network Homes Ltd
34 Newlon Housing Trust
35 North Devon Homes Ltd
36 Settle Group
37 North Star
38 Notting Hill Genesis
39 Octavia Housing
40 One Housing Group
41 Ongo Homes Ltd
42 Origin Housing Ltd
43 Paradigm Housing Group Ltd
44 Plymouth Community Homes
45 Pobl Group Ltd
46 Red Kite Community Housing Ltd
47 Selwood Housing Society Ltd
48 South Yorkshire Housing Association Ltd
49 Sovereign Housing Association Ltd
50 Staffordshire Housing Association Ltd
51 Stonewater Ltd
52 Swan Housing
53 Thrive Homes
54 Together Housing Association Ltd
55 Torus 62 Ltd
56 Town & Country
57 Wales & West Housing Association Ltd
58 Wandle Housing Association Ltd
59 Waterloo Housing Group
60 Wellingborough Homes Ltd
61 Walsall Housing Group
62 Wythenshawe Community Housing Group

Signed on behalf of the Board

Neil John Hadden
Chair of the Board of Directors

7/31/2019

1 Our opinion is unmodified

We have audited the financial statements of MORhomes plc ("the Company") for the period ended 31 March 2019 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

	The risk	**Our response**
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 7 (principal risks), page 19 (Audit Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in expected credit loss on loan assets and effective interest rate accounting below, along with the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis:** When addressing expected credit loss on loan assets and effective interest rate accounting and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.

		Assessing transparency: As well as assessing individual disclosures as part of our procedures on expected credit loss on loan assets and effective interest rate accounting, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Expected credit loss on loan assets (£54,000, 2018: £nil) *Refer to page 19 (Audit Committee report), page 38 (accounting policy) and note 15 (financial disclosures)*	**Subjective estimate** IFRS 9 was implemented by the Company during the period. This new standard requires the Company to recognise expected credit losses (ECLs) on financial instruments which requires significant judgements and estimates to be made by the Company. The expected credit loss provisions may be materially misstated if judgements or estimates made by the Company are inappropriate. In particular, judgement is required in respect of the probability of default and loss given default assumptions applied by management. The effect of these matters is that, as part of our risk assessment, we determined that expected credit loss on loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3) disclose the sensitivity estimated by the Company.	Our procedures included: **Accounting analysis:** We evaluated the appropriateness of the accounting policies based on the requirements of IFRS 9, our business understanding and industry practice. **Tests of details:** We assessed the probability of default for each loan against externally produced credit ratings to support the probability of default applied to each loan. **Benchmarking assumptions:** We performed benchmarking to consider the reasonableness of the probability of default and loss given default assumptions against relevant market data for similar exposures. **Sensitivity analysis:** We stress tested the key assumptions, being probability of default and loss given default, to assess the sensitivity of the resulting expected credit loss to these. **Assessing transparency:** We assessed the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the expected credit loss.

Effective interest rate accounting (£21,000, 2018: £nil) *Refer to page19 (Audit Committee report), page 36 (accounting policy) and note 15 (financial disclosures)*	**Accounting application** Transaction costs are required to be spread over the effective interest rate ('EIR') period for all financial instruments. Given that transaction costs are often one-off costs, usually occurring either at the start or at the end of the contract, it is not uncommon for these to be overlooked when constructing EIR models. The EIR model is open to the possibility that the modelling principles are not in accordance with accounting requirements. The effective interest rate model is open to the possibility of arithmetical errors.	Our procedures included: **Methodology implementation:** We compared the application of the EIR methodology and the cash flows included in the adjustment with the relevant accounting standard, checking that the model includes the appropriate level of any transaction costs. **Testing application:** We critically assessed the fees and costs included in the EIR adjustment to consider the appropriateness of their inclusion or exclusion from EIR accounting. **Tests of details:** We agreed a sample of fees and costs to source documentation to assess the accuracy of amounts recorded and included in the EIR calculation. **Independent reperformance:** We assessed whether the EIR adjustment is applied accurately by performing recalculations. **Assessing transparency:** We assessed the adequacy of the Company's disclosures about the degree of estimation involved in effective interest rate accounting.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £90,000, determined with reference to a benchmark of net assets of £2,065,000, of which it represents 4.3%.

We consider net assets to be the most appropriate benchmark for materiality as the company is not set up to make a profit and accordingly its strategy is not one purely of profit maximisation. Net assets are deemed to be the benchmark which users of the financial statements focus their attention on being the headroom in the entity over and above the value of outstanding liabilities.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- The operating loss recorded in the current year; and
- The impact of Brexit on the Company's financial forecasts.

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit which could impact borrower default rates.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 21, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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.

Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

31 July 2019

	Note	Period ended 31 March 2019 £'000	Period ended 28 February 2018 £'000
Interest income recognised using the EIR method	4	1,055	-
Interest expense	4	(1,058)	-
Net interest expense		(3)	-
Other income	4	117	-
TOTAL INCOME		114	
Impairment expense		(54)	
Operating expenses		(940)	-
LOSS BEFORE TAXATION		(880)	-
Income tax	8	150	-
LOSS FOR THE PERIOD		(730)	-

All results are from continuing operations. There were no other gains and losses during the current or prior period.

	Note	Share capital £'000	Share Premium £'000	Contingent convertible notes £'000	Retained Earnings £'000	Total equity £'000
BALANCE AT 21 SEPTEMBER 2017		-	-	-	-	-
Issue of share capital		-	-	-	-	-
BALANCE AT 28 FEBRUARY 2018 AND 1 MARCH 2018		-	-	-	-	-
Issue of share capital	16	1,059	1,886	-	-	2,945
Share capital reduction	16	(594)	-	-	594	-
Issue of contingent convertible notes	14	-	-	286	-	286
COMPREHENSIVE LOSS						
Loss for the period		-	-	-	(730)	(730)
TOTAL COMPREHENSIVE LOSS		-	-	-	(730)	(730)
BALANCE AT 31 MARCH 2019		465	1,886	286	(136)	2,501

MORhomes PLC
STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 Company registration number: 10974098

	Note	31 March 2019 £'000	28 February 2018 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	3	-
Loan assets	10	259,157	-
		259,160	-
CURRENT ASSETS			
Trade and other receivables	11	281	-
Cash and cash equivalents	11	2,347	-
		2,628	-
TOTAL ASSETS		261,788	-
CURRENT LIABILITIES			
Trade and other payables	13	(596)	-
		(596)	-
NON-CURRENT LIABILITIES			
Bond liabilities	14	(258,691)	-
		(258,691)	-
TOTAL LIABILITIES		(259,287)	-
NET ASSETS		2,501	-
EQUITY			
Share capital	16	465	-
Share premium	17	1,886	-
Contingent convertible notes	17	286	-
Retained earnings	17	(136)	-
TOTAL EQUITY		2,501	-

The financial statements on pages 32 to 60 were approved by the Board of directors and authorised for issue and are signed on its behalf by:

DocuSigned by:
EE3F92D9B968463...
Neil John Hadden
DIRECTOR

7/31/2019

	Note	31 March 2019 £'000	28 February 2018 £'000
OPERATING ACTIVITIES			
Net cash flow used in operating activities	18	(2,908)	-
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(4)	-
Loans advanced		(258,051)	-
Net cash used in investing activities		(258,055)	-
FINANCING ACTIVITIES			
Proceeds from issue of shares		2,945	-
Receipt of bonds proceeds		260,365	-
Net cash generated from financing activities		263,310	-
MOVEMENT IN CASH AND CASH EQUIVALENTS		2,347	-
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		2,347	-

1 ACCOUNTING POLICIES

The financial statements for the period ended 31 March 2019 were authorised by the Board on 31 July 2019. MORhomes PLC is a public limited company, is incorporated in England and Wales, and domiciled in the United Kingdom. The registered address is Floor 8, 71 Queen Victoria Street, London, Greater London, EC4V 4AY, England.

The principal accounting policies adopted by the company are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION AND ACCOUNTING
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated. The principal accounting policies adopted are set out below.

GOING CONCERN
The company has made an operating loss for the period of £730k (2018: £Nil), this includes interest income of £1,055k (2018: £Nil) and interest expense of £1,058k (2018: £Nil). The company has a deficit on the profit and loss reserve of £136k (2018: £Nil). Cash and cash equivalents amount to £2,347k (2018: £Nil).

The company was initially financed by the issue of share capital which enabled it to set up its operations and issue secured sterling bonds which are listed on the London Stock Exchange. At the same time the company issued second secured notes. The bonds and notes mature in February 2038. No repayments of capital fall due before the maturity date. The funds raised were on-lent to housing associations who provided further equity and contingent convertible loans at the same time.

Shares were initially issued at £1.00 each. On 26 April 2018 shareholders agreed to a capital reduction' reducing the value of these shares from £1.00 to £0.10. The difference in value was transferred into reserves in order to create sufficient reserves to enable the company to convert to a PLC.

The directors have carried out a review of the company's ability to continue in operation for the foreseeable future. The loss in the period was due to set up costs incurred before the issue of the first bond and was funded from the initial share capital provided for this purpose. Following the issue of the bonds and notes the proceeds have been on-lent on terms that generate sufficient income to cover future costs. In addition, the Board believes that it is in a good position to continue to grow the business with new loans supported by new bond issuance and increase its profitability as it wins new business, as set out in the Strategic Report. The directors are therefore satisfied that the company has a reasonable expectation of continuing in operation and receiving adequate funding for the foreseeable future to enable liabilities to be met as they fall due. The financial statements have therefore been prepared on a going concern basis.

ACCOUNTING PERIOD
The financial statements are presented for a period longer than a year as this is the company's first period of trade. The comparative financial statements are dormant.

REVENUE
Issuance recharges
Issuance recharges are deducted from the loan assets and amortised to the Statement of Comprehensive Income over the life of the loan asset using the effective interest method.

Programme recharges
Programme recharges are deducted from the loan assets and amortised to the Statement of Comprehensive Income over the life of the loan asset using the effective interest method.

1 ACCOUNTING POLICIES (Continued)

REVENUE (continued)
Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue relates to security charges levied on Housing Associations and is recognised over the period to which they relate.

INCOME TAX AND DEFERRED TAX
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities.

FINANCIAL INSTRUMENTS
The company is applying the requirements of IFRS 9 to all financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

CURRENT AND NON-CURRENT CLASSIFICATION
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash at bank and in hand and other short term deposits held by the company with maturities of less than three months.

1 ACCOUNTING POLICIES (Continued)

TRADE AND OTHER RECIEVABLES
Trade receivables are initially measured at their transaction price.

Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

LOAN ASSETS
Loan assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Programme recharges are added to loan assets and amortised to the Statement of Comprehensive Income over the life of the asset.

CLASSIFICATION OF FINANCIAL ASSETS
In determining the measurement of financial assets, management are required as assess whether the loans are held to collect contractual cash flows.

The company assesses the objective of a business model in which an asset is held at an individual level because this best reflects the way the business is managed, and information is provided to management.

Financial assets are classified and measured based on the business model and nature of the contractual cash flows. Financial assets are classified and measured at amortised cost when the business model is to collect the contractual cashflows which are solely payment of principal and interest. For cash flows to be solely payment of principal and interest the cash flows must be on specified dates and the cash flows take into account, time value of money, credit risk and other basic lending risks and costs.

IMPAIRMENT OF FINANCIAL ASSETS
An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability weighted amount determined from a range of outcomes and takes into account the time value of money.

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the company's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows.

The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant. The financial asset moves to 'non-performing' when the asset is in default.

When assessing whether credit risk has increased significantly, the company compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost or effort.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12 month expect credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss

Full detail of the credit risk assessment is included at note 15.

1 ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES AND EQUITY
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

INITIAL AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES
TRADE AND OTHER PAYABLES
Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

EQUITY INSTRUMENTS
Equity instruments issued by the company are recorded at fair value on initial recognition net of transaction costs.

DERECOGNITION OF FINANCIAL ASSETS (INCLUDING WRITE-OFFS) AND FINANCIAL LIABILITIES
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off') in line with the company's impairment policy as disclosed at note 15.

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

BORROWINGS
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

CONVERTIBLE BOND
The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

ISSUED CAPITAL
Ordinary shares are classified as equity.

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

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

1 ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the Statement of Comprehensive Income so as to write off the cost of assets less residual value over their useful economic lives, using the straight line method, on the following bases.

Office Equipment	20% Straight – line basis

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement

IMPAIRMENT OF TANGIBLE ASSETS

At the reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the company estimates the recoverable amount of the generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

If the recoverable amount of an asset is estimated to be higher than its impaired carrying amount, impairment is reversed to align with the recoverable amount, unless this is deemed to be lower than the depreciated historical cost. An impairment reversal is recognised as a gain in the Income Statement.

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

1 ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (continued)
For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

2 ADOPTION OF NEW AND REVISED STANDARDS

Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the entity for the annual reporting period ended 31 March 2019. The entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the entity, are set out below.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

IFRS 16 – Leases
IFRIC 23 – Uncertainty over income tax treatments
IFRS 9 – Amendments to prepayment features with negative compensation
Annual improvements to IFRS: 2015 – 2017 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23

The standard IFRS 16 leases replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. The entity will adopt this standard from periods commencing after 1 April 2019 although at the current time no changes to the financial statements are expected. No transition adjustments have been identified.

INITIAL APPLICATION OF IFRS 9 ‘FINANCIAL INSTRUMENTS’ (IFRS9) AND IFRS 15 ‘REVENUE FROM CONTRACTS WITH CUSTOMERS’ (IFRS15)
The company has applied IFRS 9 ‘Financial Instruments’ (IFRS 9) for the first time in the period ended 31 March 2019. IFRS 9 replaces IAS 39 ‘Financial Instruments: Recognition and measurement’. The significant changes are set out below.

As a result of the adoption of IFRS 9 the company has adopted consequential changes to IAS 1 Presentation of financial statements. In addition, the company has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to the current period only.

The company was dormant in 2018 and did not have any financial instruments.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payment of principal and interest, and whether the business model is to collect those contractual cash flows and/ or sell the financial assets.

The only change in measurement of financial assets on application of IFRS 9 arises from impairment of financial assets. IFRS 9 requires impairment of financial assets to be assessed using an ‘expected loss’ model. There were no financial assets in the prior period.

The application of IFRS 9 has not changed the measurement of the company’s financial liabilities or the company’s accounting policies for the recognition or derecognition of financial instruments (see note 20).

IFRS 15 Revenue from contracts with customers is being applied for the first time in the period. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The company has considered all contracts in order to determine whether there was an effect on revenue. No transition adjustments have been identified.

3 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made as described below:

Impairment
Impairment provisions are based on a number of estimates and judgements.

Estimates are required about the expected cash flows, probability of default and period over which the company is exposed to credit risk.

In determining whether other receivables are impaired, the company makes judgements about whether changes in the credit risk of financial assets since initial recognition are significant.

An impairment charge has been made against loan assets based on probabilities of default ranging between 0.03% and 0.05% and loss given default of 45%.

A sensitivity analysis has been performed below:

	Impairment charge	+0.1% PD	-0.1% PD	+10% LGD	-10% LGD
	£'000	£'000	£'000	£'000	£'000
Probability default:					
0.03%	7	29	-	7	6
0.04%	6	19	-	6	5
0.05%	41	121	-	44	36
Charge	54	169	-	57	47

Effective interest rates
Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not Expected Credit Loss.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3 USE OF ESTIMATES AND ASSUMPTIONS (Continued)

Credit risk
Receivables are considered to be in default when the principal or any interest is past due unless otherwise agreed with the lender (see note 15). Significant increase in credit risk occurs when there is an increased risk of default occurring over the expected life of the asset.

Deferred tax
The company has recognised net deferred tax assets of £150k. The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used. Where the temporary differences relate to losses, the availability of the losses to offset against forecast taxable profits is considered (see note 8).

Contingent convertible notes
During the period the company has entered into a compound instrument. In order to value the liability element of the instrument the equivalent rate of a comparable instrument without a conversion option is required and that rate is dependent on management estimates. Management have considered a rate of 5.85% to be a suitable estimate.

A sensitivity analysis has been performed below:

	Equity element of convertible note	+10 BPS	-10 BPS
	£'000	£'000	£'000
Equivalent rate for comparable instrument:			
5.85%	286	317	254
Equity	286	317	254

4 REVENUE

The following table provides an analysis by geographical market:

	31 March 2019 £'000	28 February 2018 £'000
Continuing operations		
United Kingdom	114	-
	114	-

The following table provides an analysis by service:

	31 March 2019 £'000	28 February 2018 £'000
Continuing operations:		
Interest income	1,055	-
Interest expense	(1,058)	-
Net interest income	(3)	-
Other income	117	-
	114	-

The company has a single segment.

The major customers are made up of 9 Housing Associations to which loan assets are issued.

5 LOSS FOR THE PERIOD

	31 March 2019 £'000	28 February 2018 £'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1	-
Staff costs (see note 7)	459	-

6 AUDITOR'S REMUNERATION

	31 March 2019 £'000	28 February 2018 £'000
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for:		
- Audit of the company's annual financial statements	50	-
Total audit fees	50	-
Other services:		
All other non-audit services	35	-
Total fees	85	-

7a PEOPLE COSTS AND DIRECTORS' EMOLUMENTS

	31 March 2019 Number	28 February 2018 Number
The average monthly number of employees (including directors) was:		
Directors	7	2
Management and support staff (including key management personnel see note 7c)	4	-
	11	2

People costs including directors' emoluments (see 7b)	31 March 2019 £'000	28 February 2018 £'000
Wages and salaries	408	-
Social security costs	43	-
Other pension costs	8	-
	459	-

7b DIRECTORS REMUNERATION

	31 March 2019 £'000	28 February 2018 £'000
Aggregate emoluments	45	-
	45	-

The Board has agreed the following levels of remuneration for Board members

Position	Pay
Chair of Board	£22,500
Chair of New Issues Committee and Senior Independent Director	£17,500
Other Committee Chairs	£15,000
Board member	£12,000
Additional per committee (above 2 committees)	£1,500
Committee member only	£4,000

The Board agreed to waive all pay up to June 2018. The Board also agreed to defer 50% of pay until certain business targets have been achieved. Consequently, since June 2018 only 50% of the above rates have been paid, and the balance will be paid out of future income if and when the business targets have been achieved.

The amount paid during the period by individual director was as follows:

Director	Salary	NI	Other benefits
Rob Young	£6,000	£392	£547
Charles Tiley	£6,375	£430	£35
Peter Shorthouse	£5,625	£415	-
Ann Santry	£5,250	£407	-
Andrew Kitchingman	£5,625	£415	£282
Neil Hadden	£8,438	£471	£21
Malcolm Cooper	£6,562	£433	-

No pensions were provided.

7c KEY MANAGEMENT PERSONNEL

	31 March 2019 £'000	28 February 2018 £'000
Short term employee benefits	250	-
	250	-

Key management includes those who are responsible for planning, directing and controlling activities of the entity.

8 INCOME TAX

	31 March 2019 £'000	28 February 2018 £'000
Current tax		
UK corporation tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(150)	-
Total deferred tax	(150)	-
Total tax charge	(150)	-

A reconciliation between tax expense and the product of accounting profit multiplied by the UK rate of Corporation Tax for the periods ended 31 March 2019 and 28 February 2018 is as follows:

	31 March 2019 £'000	28 February 2018 £'000
Loss before taxation:		
Continuing operations	(880)	-
At UK standard rate of corporation tax of 19% (2018: 19%)	(167)	-
Deferred tax – difference in closing tax rates	17	-
Tax charge in the Income Statement	(150)	-
Effective income tax rate	17%	0%

A reduction in the main rate of corporation tax from 19% to 17% with effect from 1 April 2020, was substantively enacted on 15 September 2017. The company has therefore measured its UK deferred tax assets and liabilities at the end of the reporting period at 17%.

The company has recognised deferred tax assets of £150,000 (2018: £Nil) relating to tax losses that are available to offset against future taxable profits.

9 PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £'000
Cost:	
At 1 March 2018	-
Additions	4
At 31 March 2019	4
Accumulated depreciation and impairment:	
At 1 March 2018	-
Charged in the period	(1)
At 31 March 2019	(1)
Net book amount:	
At 31 March 2019	3
At 28 February 2018	-

Depreciation rates are disclosed within note 1 on accounting policies. Depreciation charged is included in administrative expenses.

10 LOAN ASSETS

	31 March 2019 £'000	28 February 2018 £'000
Loans to housing associations	259,157	-

The £260,000,000 loan balance comprises 11 loans to 9 groups of not for profit Registered Providers of social housing. The loans are due for repayment in February 2038. At the period end each loan was secured with a fixed charge on a single property of de minimis value. The borrowers have certified that they have available uncharged property to provide sufficient security to meet an asset cover test. Under the terms of the loan agreement such security must be provided no later than February 2021.

The carrying amount of the loans to Housing Associations approximate to their fair value as the loans have recently been issued and are at a commercial rate of interest. An impairment charge of £54,000 has been included following a calculation of impairment using IFRS 9 methodology calculating exposure at default (assuming interest is rolled up as a result of missed payments), probability of default (determined using external default tables) and loss given default (assumed at 45% for unsecured lending).

Interest of 3.58% per annum (£1,055k) is receivable by the company in respect of these loans. The loan is made up as follows:

	£'000
Gross amount	260,000
Issue costs	(1,844)
Impairment	(54)
Loan interest	1,055
Carrying value	259,157

11 OTHER FINANCIAL ASSETS

Trade and other receivables:

	Note	31 March 2019 £'000	28 February 2018 £'000
Trade receivables		3	-
Other debtors		4	-
Prepayments and accrued income		124	-
Deferred tax asset	12	150	-
		281	-

In considering the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

The ageing of past due but not impaired receivables amounted to £Nil (2018: £Nil).

Cash and cash equivalents:

	31 March 2019 £'000	28 February 2018 £'000
Bank balances and cash	2,347	-
Cash and cash equivalents	2,347	-

Cash and cash equivalents comprise cash and short term deposits with an original maturity of three months or less.

Bank balances earn interest at floating rates depending on daily bank deposit rates. Short term deposits are made for varying periods of between one week and three months depending on the immediate cash requirements of the company and earn interest at the respective short term deposit rates.

The carrying amount of these assets is approximately equal to their fair value due to the short time scale between issue of the assets and period end date.

Refer to note 15 for a review of impairment.

12 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are attributable to the following:

	Assets 31 March 2019 £'000	Assets 28 February 2018 £'000
Tax losses and other deductions	150	-
Tax assets / (liabilities)	150	-

12 DEFERRED TAX ASSETS (Continued)

	1 March 2018 £'000	Recognised in income £'000	31 March 2019 £'000
Tax losses and other deductions	-	150	150
	-	150	150

13 OTHER FINANCIAL LIABILITIES

Trade and other payables:

	31 March 2019 £'000	28 February 2018 £'000
Trade payables	36	-
Accruals	559	-
Other creditors	1	-
	596	-

Trade payables comprise amounts outstanding for trade purchases.

All financial liabilities are included in other financial liabilities at amortised cost.

The carrying amount of these liabilities is approximately equal to their fair value due to the short time scale between issue of the bonds and period end date.

14 NON-CURRENT LIABILITIES

	31 March 2019 £'000	28 February 2018 £'000
Bonds	258,691	-
	258,691	-

European Medium Term Notes:
On 19 February 2019 the company issued £250,000,000 3.4% bonds due 2038 secured by a first floating charge on the Issuer's undertaking, property and assets. The proceeds received were £247,375,000, net of discount. Interest on the 3.4% bond is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £955,000 has been accrued.

Second Secured Notes:
On 19 February 2019 the company issued £10,000,000 5.076% Second Secured Notes due 5 March 2038 secured by a second floating charge on the Issuer's undertaking, property and assets. Interest on the notes is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £57,000 has been accrued.

Contingent Convertible Debt:
The proceeds of the European Medium Term Notes and Second Secured Notes (net of fees and expenses) were lent to housing associations ('Housing Association Loan' - see Note 10) at the point of issue. At the same time each housing association lent 1.15% of its Housing Association Loan to the company under a contingent convertible loan (CoCo) agreement. Interest of 5% on the CoCo loans is normally payable by the company on 19 August and 19 February in arrears. There are provisions in the CoCo loan agreement to suspend interest payments or convert the loan to equity under certain circumstances. Interest totalling £17,000 has been accrued. Of the total amount issued of £2,990,000, £286,000 has been reflected within equity.

Bonds are shown net of debt issue costs of £2,417,000 (2018: £Nil).

The carrying amount of these bonds is approximately equal to their fair value due to the short time scale between issue of the bonds and period end date.

	31 March 2019 %	28 February 2018 %
The weighted average interest rates paid were:		
European Medium Terms Notes	3.476	-
Second Secured Notes	5.076	-
Contingent Convertible Debt	5.000	-

15 FINANCIAL INSTRUMENTS

The carrying amounts of the company's financial instruments at the end of the period were:

	31 March 2019 £'000	28 February 2018 £'000
Financial assets measured at amortised cost		
Loan assets	259,157	-
Trade receivables	3	-
Other debtors	4	-
Cash and cash equivalents	2,347	-
	261,511	-
Financial liabilities measured at amortised cost		
Trade payables	36	-
Accruals	559	-
Other creditors	1	-
Borrowings	258,691	-
	259,287	-

Financial risk management objectives

The company manages its capital to ensure the company will be able to continue as a going concern. The capital structure of the company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and accumulated losses. The main purpose of these financial instruments is to manage the liquidity needs of the business operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from operations.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the entity's operating units.

Interest rate risk

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The company's principal financial liability comprises secured Sterling bonds. Since the interest rate on the secured bonds and on the loan assets is fixed, the company is not exposed to any significant interest rate risk.

15 FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which regularly reviews the status of going concern at each meeting, acting appropriately. Vigilant liquidity risk management requires the entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financial assets analysed by remaining contractual maturity are as follows:

	Cash and cash equivalents	Loan assets	Trade and other receivables	Total
	£'000	£'000	£'000	£'000
Less than 1 year	2,347	1,047	7	3,401
1 – 3 years	-	-	-	-
3 – 5 years	-	-	-	-
Over 5 years	-	258,110	-	258,110
Balance at 31 March 2019	2,347	259,157	7	261,511

Financial liabilities analysed by remaining contractual maturity are as follows:

	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
Less than 1 year	1,029	596	1,625
1 – 3 years	-	-	-
3 – 5 years	-	-	-
Over 5 years	257,662	-	257,662
Balance at 31 March 2019	258,691	596	258,987

Gross undiscounted cash flows analysed by maturity are as follows:

	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
Less than 1 year	9,157	596	9,753
1 – 3 years	18,314	-	18,314
3 – 5 years	18,314	-	18,314
Over 5 years	390,937	-	390,937
Balance at 31 March 2019	436,722	596	437,318

15 FINANCIAL INSTRUMENTS (Continued)

Credit risk

The company has a robust approval and monitoring process in place for credit allocation to ensure a fair and equitable platform for housing associations. The level of credit granted is based on the customer's risk profile. Given the company's customer base, credit risk is generally low.

The maximum exposure to credit risk will be the gross amounts net of any impairment losses.

The risk that counterparties will fail to settle amounts due to the company predominantly arises from loan assets, trade receivables, other receivables and cash and cash equivalents.

The primary credit risk relates to Housing Associations which have amounts due outside of their credit terms. The risk is mitigated by security against the Housing Association's assets. Housing Associations are given up to 24 months from the date of borrowing to put security in place.

Company policy is to assess the credit quality of each Housing Association internally before accepting any terms of trade. Internal procedures take into account the Housing Association's financial position as well as their reputation within the industry.

The Board via its Credit Committee monitors the default risk on its loans. Individual borrowers are credit assessed before they borrow using our own specially developed credit model which uses historic data and forecast financial projections, which are based on data supplied to the Regulator of Social Housing. Our model attributes a 'Lending Level' to each borrower based on 8 metrics averaged over a 10 year forward and backward time horizon.
At the end of the period the split of the loans by borrowing lending level was as follows

	Carrying value	Concentration
Level 1	£Nil	0%
Level 2	£137.5m	53%
Level 3	£122.5m	47%
Level 4	£Nil	0%
Level 5 (Fail)	£Nil	0%

Based on a sample of our credit cleared borrowers who are also publicly rated: Level 2 is broadly equivalent to Standard and Poors rating AA- or A+ and to Moody's A2. Level 3 is broadly equivalent to Moody's A3 and Fitch A+.
The Credit Committee also monitors the spread of risk across geographical area and size of organisation.
Under the terms of the loan agreement borrowers are required to provide information which is monitored by the Credit Committee, including the following:

- Quarterly management accounts
- Annual published accounts
- Business plan and updated credit model annually and any time if a material change has occurred which might give rise to a change in their Lending Level.

The loan documentation enables the company to call for cash in an interest reserve account if borrowers exceed their borrowing limit as a result of weakening of their credit status.

Determination of credit-impaired financial assets
When an event has occurred, which has a detrimental impact on the estimated future cash flows, the financial asset becomes 'credit-impaired' and the expected credit losses are measured as the difference between the carrying amount (before any loss allowance) and the present value of estimated future cash flows discounted at the original effective interest rate. In addition, the 'effective interest rate' is applied to the carrying amount of the financial asset net of any loss allowance, rather than the carrying amount before any loss allowance. There are not currently any assets classed as credit-impaired.

15 FINANCIAL INSTRUMENTS (Continued)

Maximum exposure to credit risk on financial assets
The company considers the maximum exposure to credit risk (ignoring collateral or other credit enhancements) on the financial assets as set out below.

Maximum exposure:	31 March 2019 £'000	28 February 2018 £'000
Financial assets measured at amortised cost:		
Loan assets	259,157	-
Trade receivables	3	-
Other debtors	4	-
Cash and cash equivalents	2,347	-
	261,511	-

The business model is set up to allow Housing Associations up to 24 months from the date of borrowing to put security in place.

Impairment of financial assets
The company's credit risk management practices and how they relate to the recognition and measurement of expected credit losses is set out below.

Impairment of trade receivables
The company calculates lifetime expected credit losses for trade receivables using an individual receivable approach. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates. The data is adjusted if the company determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

The company considers that the loss rate on all trade receivables is negligible

Write-off policy
Receivables are written off by the company when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt or into liquidation or administration. Receivables will also be written off when the amount is more than 300 days past due and is not covered by security over the assets of the counterparty or a guarantee.

Definition of default
The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is past due unless otherwise agreed with the lender, based on an assessment of the likelihood of such overdue amounts being recovered.

The company considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:

- Significant financial difficulty of the counterpart arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external finding and/or group support;
- A breach of contract, including receipts being past due without prior agreement;
- It becoming probable that the counterpart will enter bankruptcy or liquidation

15 FINANCIAL INSTRUMENTS (Continued)

Assessing significant increases in credit risk
The company undertake the following procedures to determine whether there has been a significant increase in the credit risk of its other receivables, since their initial recognition. Where these procedures identify a significant increase in credit risk, the loss allowance is measured based on the risk of a default occurring over the expected life of the instrument rather than considering only the default events expected within 12 months of the year-end.

The company determines that credit risk has increased significantly when:

- A significant downgrade in the credit rating of the landlord has occurred or is expected;
- Significant declines in the landlord revenue or increases in its borrowings, or significant working capital deficiencies have occurred or are expected
- Market conditions have, or are expected to, significantly affect the landlord's access to external financing;
- New commercial developments or market conditions have, or are expected to, have a significant detrimental effect on occupancy levels of properties held by the landlord or;
- An actual expectation of significant changes in the quality of guarantees or security provided to the company or reductions in financial support from the owners of the landlord.

A significant increase in credit risk is presumed when returns of principal or interest on an investment are more than 30 days overdue, unless payments are late as a result of an administrative oversight. Based on the nature of payments and loan structure the rebuttable backstop in IFRS 9 of 30 days past due for SICR has been rebutted. No assets are considered to have experienced a significant increase in credit risk as at the period end.

Impairment (losses)/ gains on financial instruments

Impairment (losses)/gains comprises:

	31 March 2019 £'000	28 February 2018 £'000
Impairment losses on financial assets measured at amortised cost:		
Loan assets	54	-

15 FINANCIAL INSTRUMENTS (Continued)

Loss allowances on financial assets

The gross carrying amounts of the company's financial assets at 31 March by credit risk rating grade (based on the risk of a default occurring) is set out below.

	Loss allowance based on '12 month expected credit losses'			
	Loan assets	Trade receivables	Other debtors	Prepayments and accrued income
	£'000	£'000	£'000	£'000
Performance:				
Performing	259,211	3	4	124
Under-performing	-	-	-	-
Non-performing	-	-	-	-
Total gross carrying amount at 31 March 2019	259,211	3	4	124
Probability of default (before provision):				
0.03%	49,848	-	-	-
0.04%	29,909	-	-	-
0.05%	179,454	3	4	124
Total gross carrying amount at 31 March 2019	259,211	3	4	124

A reconciliation of changes in the loss allowances on the company's financial assets at 31 March is set out below.

	Loss allowance based on '12 month expected credit losses'			
	Loan assets	Trade receivables	Other debtors	Prepayments and accrued income
Loss allowance:	£'000	£'000	£'000	£'000
Opening balance	-	-	-	-
Loss allowances recognised in the period	(54)	-	-	-
Closing balance	(54)	-	-	-

All financial instruments are currently recognised as stage one instruments.

16 SHARE CAPITAL

	31 March 2019 £'000	28 February 2018 £'000
Authorised:		
4,650,000 ordinary shares of £0.10 each (2018: 1 share of £1)	465	-
Allotted, issued and fully paid:		
4,650,000 ordinary shares of £0.10 each (2018: 1 share of £1)	465	-

Movements in ordinary share capital:

	Date	Number of shares	Issue Price	£'000
Balance brought forward	1 March 2018	1	£1.00	-
Issue of shares	31 March 2018	260,000	£1.00	260
Issue of shares	19 April 2018	400,000	£1.00	400
Reduction of share capital	26 April 2018			(594)
Issue of shares	14 May 2018	160,000	£0.10	16
Issue of shares	31 July 2018	160,000	£0.10	16
Issue of shares	31 August 2018	60,000	£0.10	6
Issue of shares	30 September 2018	60,000	£0.10	6
Issue of shares	31 October 2018	80,000	£0.10	8
Issue of shares	2 November 2018	20,000	£0.10	2
Issue of shares	11 February 2019	850,000	£0.10	85
Issue of shares	19 February 2019	2,600,000	£0.10	260
				465

The shares have full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

On 26 April 2018, the company reduced its share capital from nominal value of £1.00 to £0.10.

Capital risk management
The company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

17 RESERVES

Share premium
Consideration received for shares issued above their nominal value net of transaction costs.

Contingent convertible notes
The contingent convertible note reserve represents the equity element of compound financial instruments.

Retained earnings
Cumulative profit and loss net of distributions to owners.

18 NOTES TO THE STATEMENT OF CASH FLOWS

	31 March 2019 £'000	28 February 2018 £'000
Continuing operations		
Loss before tax	(730)	-
Adjustments for:		
Depreciation	1	-
Interest payable	1,058	-
Interest receivable	(1,055)	-
Tax credit	(150)	-
Impairment expense	54	
Loan asset recharges	(105)	-
Bond issuance and programme costs	(2,446)	
Increase in receivables	(131)	-
Increase in payables	596	-
Net cash used in operating activities	(2,908)	-

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank and other short term highly liquid investments with a maturity of 3 months or less.

19 RELATED PARTY TRANSACTIONS

	Interest income £'000
Transactions with related parties:	
Housing Associations with joint control	1,055

Amount due from related parties:	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	258,102	1,055	259,157

Amount due to related parties:	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	2,704	17	2,721

20 INITIAL APPLICATION OF IFRS 9

There were no financial assets at the point of transition, and therefore no impact on the company as a result of transition to IFRS 9, There has been no change in closing impairment allowances because of transition from IAS 39 to IFRS 9.

21 POST BALANCE SHEET EVENTS

There have been no material subsequent events between 31 March 2019 and the date of approval of this Report and Financial Statements by the Board.