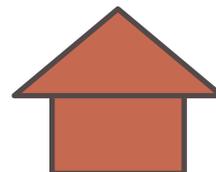


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MORhomes PLC

HALF YEARLY FINANCIAL REPORT (UNAUDITED)

**FOR THE 6 MONTHS ENDED 30
SEPTEMBER 2019**



Registered office and headquarters:
Future Business Centre, Kings Hedges Rd,
Cambridge CB4 2HY

Company Registration No. 10974098

MORhomes PLC
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MORhomes PLC
OFFICERS

DIRECTORS

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

SECRETARY

P J Symington

REGISTERED OFFICE

Future Business Centre,
Kings Hedges Rd,
Cambridge CB4 2HY

AUDITOR

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

MORhomes PLC
ITERIM MANAGEMENT REPORT

INTERIM MANAGEMENT REPORT

REVIEW OF THE PERIOD

Following the successful issue of our first bond in February we adopted a corporate strategy with the following three key strands that were stated in the March 2019 Report and Financial Statements:

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

Progress on these objectives in the period has been good.

We have been active in marketing our borrowing proposition with shareholder events, weekly market updates to shareholders and one to one interaction with potential Housing Association borrowers whether shareholders or other potential borrowers. MORhomes offers key benefits to borrowers most of which are unique in comparison to alternatives for Housing Associations wanting to access the capital markets. These include:

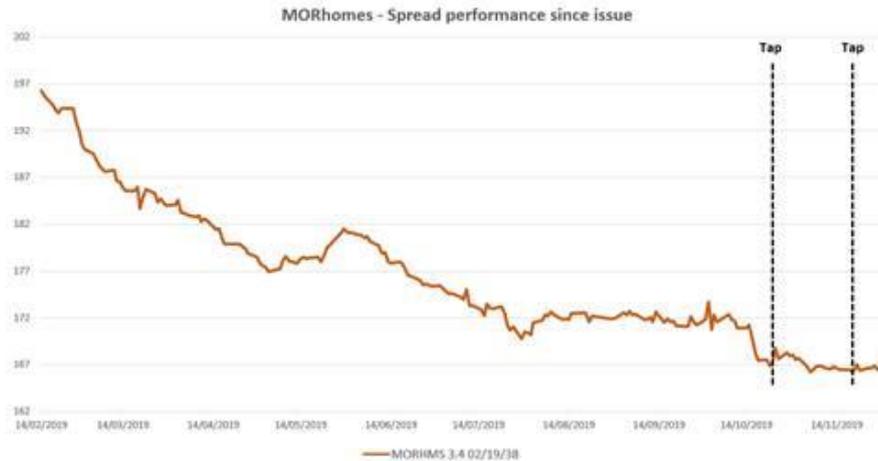
- Fast access to bond market
- Efficient use of HA resources
- Minimum amount only £10m giving significant 'cost of carry' savings
- Limited business covenants and restrictions
- Flexible and efficient use of security.
- Security charging not required at drawdown
- Low transaction cost
- Interest pricing competitive, depending on borrower options.

These benefits have been successful in building a pipeline of potential new borrowers: by the end of November 2019 a total of 29 potential borrowers had been credit cleared and 6 had signed up to the 'Standby Liquidity Agreement'. This involves the borrower paying a documentation fee and completing all the documentation required to take out a loan which is held in escrow with our solicitors. This enables MORhomes to access the capital markets to raise funds on behalf of borrowers extremely quickly – in the case of the tap in November 2019 funding was secured 2 working days after receiving the mandate from the borrower.

There were no new loans in the period to September, which was a very quiet one for Housing Association debt capital market transactions generally. We believe that this was due to a combination of a compensation for comparatively high amount of borrowing in the previous year ahead of the original Brexit deadline and a change in sentiment amongst Housing Associations regarding the future of the economy. However, we believe that this was only a temporary pause, and the market has picked up again more recently. We successfully completed two taps of our inaugural bond in October and November, increasing the loan book from £260m at the start of the year to £312.5m at the end of November.

Regarding investor relations we have also been active and successful in attracting new investors and achieving good performance on the bond. The following chart shows the spread of the MORhomes bond over the relevant benchmark gilt rate from issue to the end of November

MORhomes PLC ITERIM MANAGEMENT REPORT



The reduction in spread in July followed an investor roadshow and we have a growing number of investors. The two tap issues were completed with no adverse effect on the spread and attracted new investors.

Regarding operational efficiency we are now firmly established operationally with administrative systems in place. The first half yearly interest payments were made and received on time in August. The two recent taps demonstrated our ability to deliver on our promise to raise finance quickly and efficiently – endorsements from our borrowers can be found on our website. Our credit monitoring processes are functioning well with information from borrowers reviewed and analysed quarterly and annually.

All borrowers have had an annual update of their credit assessment including an update of their credit model. Summary credit monitoring results are published quarterly on our website. These show that the loan portfolio is performing well. Following the annual credit update the overall portfolio was stable with one borrower upgraded by one lending level and all others unchanged. Quarterly results have shown that overall borrowers are performing well against their budgets.

The results for the period show a small loss of £0.1m as we continue to build our loan book. Management costs have been kept well below budget. We have put in place a new contract for company administration and accounting which will improve efficiency and further reduce costs from December onwards. It also provides a very flexible arrangement so that costs can be kept low when activity is low and until an increased loan book generates more income. At the same time the contract provides the capacity and resources to deal cost effectively with increased activity as required. The new contractor is Allia Bond Services Ltd which is experienced in bond and company administration.

The loss is comfortably covered by the equity in the business which was £2.4m at the end of the period. 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 £0.8m represents the initial membership equity from the 62 housing associations that set up the company, after allowing for the set-up losses to date.

The cash position remains strong with £2.2m at the end of the period. Bond and other interest liabilities are matched by corresponding interest due from borrowers. Standby liquidity facilities of £20m are in place which represents around 2 years' interest payment liabilities.

RISK MANAGEMENT AND PRINCIPAL RISKS

The Board has established an effective framework of risk management, details of which were set out in the March 2019 Report and Financial Statements.

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

MORhomes PLC
ITERIM MANAGEMENT REPORT

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.
Inability to meet loan book targets due to lack of borrowing demand from housing associations including due to changes in their business plans, market/ political conditions or competition from alternative sources of funding	Marketing approach described above; contingency plans so that costs can be met from assured income
Operational risks including control over cash and payments and meeting bond obligations	Experienced in house management team to carry our core functions and oversee all service contracts; recruitment in progress to provide additional resource and resilience; accounting functions outsourced to experienced firm; operating manual defining all key controls and relevant procedures in place.

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 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	The Company has 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

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.

RELATED PARTY TRANSACTIONS

The related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period are shown in note 6 to the financial statements;

There are no changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

MORhomes PLC
ITERIM MANAGEMENT REPORT

Signed on behalf of the Board

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Neil John Hadden
Chair

9th December 2019

MORhomes PLC
STATEMENT OF RESPONSIBILITIES

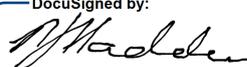
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
THE INTERIM MANAGEMENT REPORT AND THE FINANCIAL
STATEMENTS**

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.

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IFRS as adopted by the EU
- the interim management report includes a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

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Neil John Hadden
Chair

9th December 2019

MORhomes PLC
 INTERIM STATEMENT OF COMPREHENSIVE INCOME
 Period ended 30 September 2019

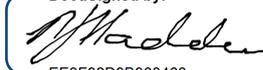
	Note	6 months ended 30 September 2019 £'000	13 months ended 31 March 2019 £'000
Interest income recognised using the EIR method		4,865	1,055
Interest expense		(4,736)	(1,058)
Net interest income/ (expense)		<u>129</u>	<u>(3)</u>
Other income		165	117
TOTAL INCOME		<u>294</u>	<u>114</u>
Impairment expense		-	(54)
Operating expenses		(388)	(940)
LOSS BEFORE TAXATION		<u>(94)</u>	<u>(880)</u>
Income tax		16	150
LOSS FOR THE PERIOD		<u>(78)</u>	<u>(730)</u>

MORhomes PLC
 INTERIM STATEMENT OF FINANCIAL POSITION
 As at 30 September 2019

Company registration number: 10974098

	Note	30 September 2019 £'000	31 March 2019 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	3	3
Loan assets		259,232	259,157
		<u>259,235</u>	<u>259,160</u>
CURRENT ASSETS			
Trade and other receivables		317	281
Cash and cash equivalents		2,175	2,347
		<u>2,492</u>	<u>2,628</u>
TOTAL ASSETS	5	<u>261,727</u>	<u>261,788</u>
CURRENT LIABILITIES			
Trade and other payables		(505)	(596)
		<u>(505)</u>	<u>(596)</u>
NON-CURRENT LIABILITIES			
Bond liabilities		(258,801)	(258,691)
		<u>(258,801)</u>	<u>(258,691)</u>
TOTAL LIABILITIES	5	<u>(259,306)</u>	<u>(259,287)</u>
NET ASSETS		<u>2,422</u>	<u>2,501</u>
EQUITY			
Share capital		465	465
Share premium		1,886	1,886
Contingent convertible notes		286	286
Retained earnings		(215)	(136)
TOTAL EQUITY		<u>2,421</u>	<u>2,501</u>

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Neil John Hadden
 Chair

9th December 2019

MORhomes PLC
INTERIM NOTES TO THE FINANCIAL STATEMENTS
 Period ended 30 September 2019

1. The financial statements and the half-yearly financial report have not been audited
2. In preparing the financial statements we have followed the same principles for recognising and measuring as when preparing the annual Report and Financial Statements for the period ending 31 March 2019.
3. The comparative data for Statement of Comprehensive Income relates to the whole of the 13 month period ending 31 March of 2019. We are unable to provide a comparison for the normal 'first six months of the comparable period for the preceding financial year' because the company had not issued or listed any bonds at that time. It was therefore not required to produce and did not produce accounts in a comparable format.

4. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £'000
Cost:	
At 1 April 2019	4
Additions	-
At 30 September 2019	4
Accumulated depreciation and impairment:	
At 1 April 2019	(1)
Charged in the period	-
At 30 September 2019	(1)
Net book amount:	
At 30 September 2019	3
At 31 March 2019	3

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 Income Statement 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

MORhomes PLC
 INTERIM NOTES TO THE FINANCIAL STATEMENTS
 Period ended 30 September 2019

5. ASSETS AND LIABILITIES

The carrying amounts of the company's assets and liabilities at the end of the period were:

	30 September 2019 £'000	31 March 2019 £'000
ASSETS		
Property, plant and equipment	3	3
Loan assets	259,232	259,157
Trade receivables	5	3
Other debtors	-	4
Prepayments and accrued income	146	124
Deferred tax asset	166	150
Cash and cash equivalents	2,175	2,347
	<u>261,727</u>	<u>261,788</u>
LIABILITIES		
Trade payables	43	36
Accruals	461	559
Other creditors	1	1
Bond Liabilities	258,801	258,691
	<u>259,306</u>	<u>259,287</u>

6. RELATED PARTY TRANSACTIONS (6 MONTHS ENDED 30 SEPTEMBER 2019)

	Interest income £'000		
Transactions with related parties:			
Housing Associations with joint control	<u>4,865</u>		
Amount due from related parties:			
	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	<u>258,101</u>	<u>1,131</u>	<u>259,232</u>
Amount due to related parties:			
	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	<u>2,647</u>	<u>75</u>	<u>2,722</u>

MORhomes PLC
INTERIM NOTES TO THE FINANCIAL STATEMENTS
Period ended 30 September 2019

7. POST BALANCE SHEET NOTE

After the balance sheet date of 30 September 2019 MORhomes issued two taps of its 2038 3.4% Euro Medium Term Note Programme (EMTN) notes with related second secured debt note issues and on-lent the proceeds in each case to a single housing association, as follows:

Date	Principal amount of EMTN tap £000's	Principal amount of loan £000's	Borrower
30 October 2019	38,600	40,000	Wandle Housing Association
19 November 2019	11,900	12,500	North Devon Homes