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MORhomes PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Registered office and headquarters:
Future Business Centre
Kings Hedges Road
Cambridge
CB4 2HY
England

Company Registration No. 10974098

Contents

OFFICERS AND ADVISORS

DIRECTORS

N J Hadden (Chair)
M C Cooper
G L Howley
A J Kitchingman (resigned 1 October 2021)
J E Pilcher (appointed 1 October 2021)
P Shorthouse
P J Symington
C B Tilley
A Thomas (appointed 1 April 2022)
R C Young

SECRETARY

A D Morton

REGISTERED OFFICE

Future Business Centre
Kings Hedges Road
Cambridge
CB4 2HY
England

AUDITOR

KPMG LLP
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

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 six years ago, I am pleased to be writing this introduction to its fourth annual report which covers the third full year of operations since issuing our initial bond.

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. We have now established a company with a proven platform that offers many unique features and advantages, not only for our housing association borrowers but also for investors, with over half a billion pounds of lending.

We started the year with a £457m loan book with 18 loans to 17 housing association entities. By the end of the year this had increased by 14% to a £522.4m loan book with 22 loans to 21 housing association entities. We have proved that we can access capital markets on behalf of our borrowers efficiently and quickly – in just a few days. The financial year has been a turbulent one for the UK as a whole with varying degrees of restrictions resulting from Covid-19 followed latterly by both increasing interest rates and the war in Ukraine and its impact on fuel and energy prices and on inflation more broadly. The strength and resilience of the MORhomes business model has continued to be demonstrated throughout the year because the business is fully digital, and there has been little or no operational impact, with continued lending volume during the financial year growing the overall loan book, as well as the launch of our first Sustainable Bond in November 2021 as we continue to lead the sector on ESG. When the coronavirus pandemic seriously disrupted markets in the last financial year we were there for our borrowers, amongst the first to issue debt in April 2020 as the markets returned to more normal conditions. This year we have continued to receive prompt and regular financial updates from each of our borrowers and published updated views of the credit strength of our loan portfolio throughout the year, which has remained strong. This has been recognised by S&P, who revised the outlook on our credit rating upwards from Negative to Stable in December 2021. For an increasing number of developing housing associations, we are becoming an important option for raising longer-term fixed interest debt, and the expected future upward trend in market interest rates mean that there has never been a better time to lock in what are still advantageous long-term interest rates.

We enjoy a sound financial position and with each new loan we become more firmly established, more attractive to investors and more attractive to borrowers as our pricing becomes more competitive to add to the range of other advantages we offer. We have a corporate strategy for future growth based on three key strands:

1. Building the loan book by marketing our borrowing proposition to housing associations and their advisors
2. Building investor confidence by good communication and making investors aware of the benefits of the MORhomes model
3. Building governance and operational excellence by maintaining strong governance and improving operational efficiency and cost-effectiveness.

MORhomes is committed to very high standards of corporate governance and social responsibility. All our loans are social bonds, complying with the ICMA Social Bond principles 2018. Taking this one step further, in February 2021 we became the only UK aggregator at that point to issue a Sustainable Bond Framework, and in November 2021 we launched our first Sustainable Bond – others have followed behind. We intend that all future maturities will be Sustainable Bonds. We also issued a powerful Sustainability Impact Report in February 2022 showing what has been achieved with the funds we have raised. Examples of our sustainability impact are shown 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 past year, with particular mention to Andrew Kitchingman who left us at the end of September to be replaced by Jane Pilcher on 1 October, with Anjila Thomas also joining the Board on 1 April 2022. 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 strong position to continue to grow the business with new loans supported by new bond issuance. Our anticipation 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 use it to an ever 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 quality housebuilding, achieving ‘net zero’ and responding to economic challenges.

Neil Hadden, Chair of the Board

Cornerstone is investing MORhomes funding into the development of two energy efficient, modern homes in the village of Thorverton, Mid Devon which will be available for affordable rent.

The two-bedroomed and three-bedroomed homes will be prioritised for people with a local connection.

Residents are expected to move into the new homes in spring 2023.

STRATEGIC REPORT

OUR BUSINESS MODEL AND HOW WE GENERATE VALUE

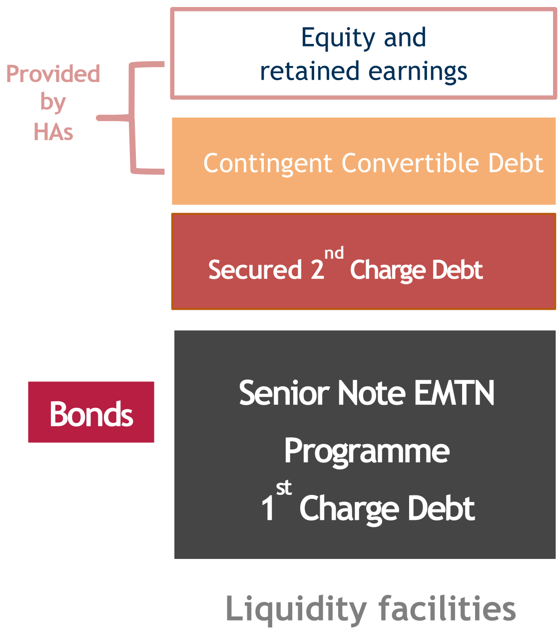
The principal way that the company furthers its mission and objective is by establishing borrowing demand from its housing association shareholders and potential new shareholders and by issuing debt on the capital markets to meet that demand. The company's policy is to match the debt issued to the loans 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 a range of 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 particular borrower in question and the performance of the company's bonds in the market over time. As a platform set up by housing associations for the purpose of lending to housing associations it is a company that borrowers can rely on to serve their needs.

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 bond investors / senior noteholders as well as standby liquidity facilities. The company also offers a robust credit management process including surveillance, monitoring and remediation, benchmark sized issuance with responsible regular repeat issuance, with all bonds either 'Social Bonds' in accordance with the Social Bond Principles 2018, or 'Sustainable Bonds' in accordance with the Sustainability Bond Guidelines 2018.

MORhomes Capital Structure



Share capital is subscribed in two ways. Firstly, to become eligible to be borrowers, housing associations must subscribe 'membership' share capital. 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. Further housing associations have become shareholders since launch and we had 66 shareholders at year-end (2021: 63). 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 proportional level of these risk bearing capital buffers as lending grows.

MORhomes' strategic ambition 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 can cover our operating costs, though we continue to invest to grow the business further. By continuing to issue new loans while carefully managing the credit risk, the economies of scale will help us to make a profit in the long-term, providing a return to shareholders.

The MORhomes platform in itself also provides value to our existing shareholders who are able to use it to access the debt capital markets. There are up to around 180 more housing associations who may wish to buy into the company and use the platform, generating further value for the existing shareholders.

REVIEW OF THE YEAR

MORhomes' first period of trading from 1 March 2018 to 31 March 2019 saw the company set up the platform to act as a central borrowing vehicle and on-lend £260m. The second period of a year to March 2020 firmly established the platform by adding £52.5m of loans to 2 new borrowers, and developed a unique proposition for borrowers of fast efficient access to the debt capital markets. In the third year we built on the platform with £109.5m on-lent via 6 new loans to 5 new borrowers. This year we have continued to grow the business with a further £65.4m of lending to 4 new borrowers, resulting in a total of £522.4m now on-lent.

The financial year has included varying degrees of restrictions resulting from Covid-19 as well as growing inflationary pressures, exacerbated by the impact of the war in Ukraine. The strength and resilience of the MORhomes business model has continued to be demonstrated throughout the year, including the fact that the company has not made use of any of the government's Covid-19 support measures (e.g. furlough). The business is fully digital, and as such there has been little or no operational impact. We have maintained on-going dialogue with and received regular financial reporting from all our borrowers. This engagement has continued to highlight the counter-cyclical nature of the Housing Association sector, as well as the sector's ability to manage its liquidity through the phasing of development programmes.

Achievements over the course of the year include:

- Demonstrating our ability to provide funds quickly and efficiently (see box)
- Advancing four new loans during the year bringing our portfolio to 22 loans to 21 borrowing entities
- Executing three separate transactions during the year to raise new finance and advance the new loans
- Building a pipeline of potential borrowers with 49 housing associations having gone through our credit process
- Building on our 'standby liquidity agreement' product whereby borrowers get all their documentation ready and on standby to borrow at a few days' notice. 26 such agreements have been entered into to date, with 12 utilised.
- Generating significant income to be recognised over time from documentation fees, issuance fees and security fees. This includes £320k in Other Income recognised during the year.
- Continuing to review the loan portfolio through the pandemic, providing regular on-going investor updates
- Upward revision of the outlook on our credit rating by S&P
- Renewal of our Liquidity Facilities
- Issuing our first Sustainable Bond, as well as our latest Sustainability Impact Report demonstrating significant impact achieved from the loans we have made
- Continuing to engage positively and imaginatively with the sector's key influencers and decision makers, including the Regulator of Social Housing.

> *"We are delighted with the outcome of this exercise with MORhomes Plc, which completes our comprehensive refinancing cycle. The process of securing £16.1m, from a new lender for Broadacres, was swift, at a time of considerable economic uncertainty and represents excellent value for money. Broadacres will use the funds to continue investing in new and existing homes, across North Yorkshire, focussing on energy efficiency and environmental sustainability coupled with maintaining our excellent customer experience."*
>
> David Smith - Director of Resources, Broadacres Housing Association

The growth of the business has been particularly encouraging in light of the coronavirus pandemic. We have become established as an option for housing associations, many of whom only borrow infrequently. Our credit rating with S&P Global was affirmed as A- with the outlook being revised upwards from negative to stable, and the spread on our bonds tightened during the year notwithstanding the disruption to markets caused by the war in Ukraine, with spread widening of 20bps or more not unusual in the sector [source: Bloomberg]. Looking to the future, we expect no longer being categorised as a 'start up' to benefit our rating further in due course. As we continue to consolidate our position we expect to benefit from a 'virtuous circle' of increased lending leading to a stronger investment proposition leading to increased attractiveness for more lending (see 'future strategy' below).

The financial result for the year was a loss after tax of £113k (2021: £171k loss). By raising debt 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 bonds, which will increase as we increase our loan book. The result for the year was achieved by further building the loan book, generating other income and controlling costs, though this was below expectations as the loss before tax increased, with only a one-off revaluation of deferred tax asset offsetting the impact of a shortfall in lending volume.

We have established a sound financial position. As at March 2022 shareholders' funds were £3.8m (2021: £3.5m). Of this, £2.6m (2021: £2.3m) was equity that borrowers were required to subscribe at the point of borrowing. Our policy is to retain this as cash at the point of borrowing and it is part of the capital structure designed to reduce the risk for investors. A further £0.5m (2021: £0.5m) is the equity value of contingent convertible loans provided by borrowers. The remaining £0.7m (2021: £0.7m) represents the 'membership' equity from the 66 housing association members, less losses to date.

Our credit management systems, which are a key part of our operations, are based on our deep understanding of our housing association borrowers and have been operating effectively during the year. Our proprietary credit model uses historic data and forecast financial projections, which are based on data supplied by our borrowers to the Regulator of Social Housing. All borrowers' credit models were updated and reviewed during the year and their financial performance monitored quarterly. The loan documentation enables us to call for cash in an interest reserve account if a borrower were to exceed its borrowing limit as a result of a weakening of its credit status, though this has never been required to date.

The company has established a performance management system including a corporate scorecard to monitor achievement of key financial and non-financial indicators against target, which is reported to the Board. The key results for the year as reported to the Board are given in the table below:

BUSINESS AREAS AND INDICATORS		YEAR TO MARCH 2022		
	Unit	Target	Actual	Traffic light
New loans				
New loans (amount)	£m	200	65	
Bond performance				
Premium v benchmark comparator	Bpts	30	27	
Financial				
Operating cost budget	£k	1,101	1,045	
Loan security in place				
Loans > 6 months old - % secured	%	100%	100%	

We were encouraged with the performance in the second half of the year, though overall new loans for the year were behind target. By year-end the spread of our bond compared to a benchmark comparator had improved to be slightly better than target, which stands us in good stead for the year ahead. Overhead costs were kept well within budget and we hit the target for getting loan security in place, with new loans typically now being secured within 6 months rather than the 12 month contractual requirement.

The Board's assessment of the position of the company's business at the end of the 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. We can offer loans to housing association shareholders or potential shareholders in amounts from £10m upwards, either individually or in groups. We have developed a '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 will 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 a few days' notice for much less than the cost and resources required to access the market through most other routes.

Our medium-term strategy concentrates on:

- **Building the loan book** – by marketing our borrowing proposition and benefits to shareholders and potential shareholders. Our current shareholders represent around one third of the housing association DCM issuance market (by borrowing requirement and number) which puts us in a good position to achieve our market share objectives. The remaining two thirds are also potential shareholders and borrowers and we are also marketing to these.
- **Building investor confidence –** by good communication and making investors aware of the benefits of the MORhomes model, maintaining a strong credit rating, attracting more investors and progressively improving their return by reducing the spread to gilts at which our bonds trade. Our innovative Sustainability Bond Framework is an important part of our appeal to investors.
- **Building governance and operational excellence** - maintaining strong governance, including risk management and good internal control, improving our operational efficiency and providing our services cost-effectively.

MORhomes funding is contributing to Broadacres' development of 97 affordable homes in Sowerby, North Yorkshire.

The scheme will include a mixture of one, two, three and four-bedroom homes, including apartments, bungalows, and family homes. They will suit a wide range of people e.g., young people looking to rent or buy their first home, families seeking more space and older people wishing to downsize.

Nine homes will be for affordable rent allocated to people with a connection to Sowerby and the surrounding area. 38 will be for shared ownership.

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 management process and risk register overseen by the Audit and Risk Committee and regularly reviewed by the Board
- A capital structure and treasury management policy that minimises liquidity risk. 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
- Effective credit management systems
- A long-term financial business plan stress tested and independently verified
- An operating manual identifying all key operational risks and related control systems
- A performance reporting system including KPIs and a corporate scorecard reported monthly to the Board
- An internal Audit programme testing key controls.

The Board has responsibility for and carries 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 by the Board, cognisant of points raised by the auditor.

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
- 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 enable risks to achieving the corporate strategy 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 comprehensive 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, including the impact of Covid-19	Credit policy including exposure limits; credit management and monitoring process, including regular review of the impact of Covid-19, Brexit, climate change, interest rates and inflation; 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, market conditions, and pricing / competition from alternative sources of funding	Marketing approach described above; contingency plans to establish 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 (Allia Bond Services Ltd).

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 on page 6) has been stress tested under a range of 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
Global operating environment risk	See notes on both Brexit and Covid-19 in Governance Report, Audit and Risk Committee section. Principal risks around climate change relate to borrower credit risk, and are covered in the Climate Change section of this Strategic Report.

The Board considers the principal risks from Covid-19 to be a component part of other risks, including the credit risk for individual borrowers and for the sector as a whole. The risks are being managed through proactive engagement with a wide range of parties including borrowers, in addition to the review of quarterly financial information from borrowers as part of the credit management process.

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.

CLIMATE CHANGE

Governance
Responding to climate-related issues is fundamental to MORhomes' business strategy, including issuing all its bonds within Social and Sustainability Bond Frameworks and maintaining high profile public leadership on sustainability issues. Accordingly, and in line with its approach more generally, the Board considers climate-related issues periodically throughout the year, including through discussion at the Audit and Risk Committee, Socially Responsible Investment Committee and Credit Committee. The Strategic Plan and long-term financial plans reflect climate-related strategies and the corresponding targets and activities are integral to the corporate plan and budgets which the Board uses to monitor business performance on a monthly basis. Climate related risks are systematically assessed via the risk management framework, and they are regularly considered by the Board throughout the year.

At management level, climate-related responsibilities rest with the Chief Executive who assesses, monitors and manages climate-related issues, reporting both to the Board and to the Audit and Risk Committee, Socially Responsible Investment Committee and Credit Committee.

Strategy
Under its Articles of Association the company is only permitted to lend to registered UK not-for-profit Housing Associations, and 100% of its business is concentrated in this sector. It currently cannot, does not and has no intention in the future of having any exposure to consumer lending or to financing related to fossil fuels, forestry, or any other sector other than UK social housing. The company has a remote operating model, with no office building and with staff being home-based and conducting the majority of business remotely by digital means.

The company's principal assets are long-term loans to registered UK not-for-profit Housing Associations with maturities between 2038 and 2051. The principal climate-related issue facing the company is the impact climate-related issues have on borrowers' ability to make interest payments during the life of the loans and capital repayments on maturity of loans extended to them. Housing Associations will be required to invest in their existing housing stock in order to improve their performance to the required standards, and new build homes will need to be built to a higher standard. The Credit Committee reviews the credit level it assigns to each borrower on at least an annual basis, looking at 5 years of historic audited financial statements (where available) and the 5 years of forward business plan submitted to the regulator.

Identified climate-related issues led to the incorporation of climate-related issues into the credit model, and climate-related issues form an important part of the Credit Committee's consideration when determining borrower and potential borrower credit levels. In addition, identified climate-related issues led the company to develop a Sustainable Bond Framework which was launched in February 2021, with the first Sustainable Bond issued under the Framework in November 2021. The company is an early adopter of the Sustainability Reporting Standard for Social Housing, and encourages borrowers and shareholders alike to adopt the standard. Participation in the company's Sustainable Bond requires prospective borrowers first to undertake a Sustainable Housing Assessment which the company has created in conjunction with real estate consultancy Ritterwald, aligned with the Sustainability Reporting Standard for Social Housing, with the assessment being independently verified by Ritterwald.

Although there is uncertainty about the pace of development of technology and therefore the ultimate cost to Housing Associations of addressing climate-related issues, as well as uncertainty about future government regulatory requirements and funding policy, Housing Associations generally have the ability to adjust the level of their development activity to enable them to fund climate-related work on their existing housing stock. The Board therefore considers the company's strategy currently to be resilient to climate-related issues.

Risk Management
The assessment of climate-related risks is undertaken by the Audit and Risk Committee with input from the Socially Responsible Investment Committee and Credit Committee as appropriate, and overseen by the Board. This approach considers a range of different factors including existing and emerging regulatory requirements, and provides a relative risk-weighting for climate-related risks in relation to other risks. Specific credit-related risks are considered in more detail by the Credit Committee in so far as they relate to each borrower and prospective borrower.

At an organisational level, climate-related risks are managed by the Audit and Risk Committee with input from the Socially Responsible Investment Committee and Credit Committee as appropriate, and overseen by the Board. Specific climate-related risks that impact on borrower creditworthiness are managed in more detail by the Credit Committee in so far as they relate to each borrower and prospective borrower.

Processes for identifying, assessing and managing climate-related risks are an integral part of the company's holistic approach to risk management.

Metrics and Targets
As the principal climate-related risk faced by the company is the impact of physical and transition risks on the credit worthiness of counterparties hence the principal means of measuring and managing impact on the company is through the impact on the composition of the lending portfolio by credit level. The company has made and intends to continue to make commitments within its EMTN programme documentation to ensure a skew of exposure to stronger credits. The company discloses composition of the portfolio on a quarterly basis by means of quarterly business updates released through RNS. As at 31 March, the composition of the company's portfolio by credit level was:

Credit Level	**Portfolio Limit**	**2022**	**2021**
Level 1 (strongest)	Unlimited	4%	0%
Level 2	60% (plus balance of Levels 3/4)	58%	57%
Level 3	30% (plus balance of Level 4)	27%	29%
Level 4	20%	11%	13%
Level 5 (fail)	0%	0%	0%

In addition, the company also produces an Annual Sustainability Impact report which sets out the impact of funds lent, the most recent of which was released on 24 February 2022 covering the impact of all funds lent up until the end of the 2021 calendar year. The report includes data on key criteria defined in the Sustainability Reporting Standard.

The company includes climate-related objectives in the plans of relevant staff members including all members of senior management. Individual performance is assessed against those plans, with appropriate steps taken in relation to performance against plan. The Board does not currently consider it appropriate to offer performance-related incentives to staff. Should performance-related incentives be introduced in the future, it would be the Board's intention to incorporate an assessment of performance against climate-related objectives when determining the appropriate incentive level for each member of staff.

Given the nature of the company's business being financial services and its operating model being remote, with no office building and with staff being home-based and conducting the majority of business remotely by digital means, Greenhouse Gas Scope 1 (direct) and Scope 2 (indirect) emissions are considered to be nil. Scope 3 emissions (from assets not owned or controlled by the company) that the company can influence relate primarily to housing funded by its loans, where the company seeks to have a strong positive impact via its Sustainability Bond Framework, as described above and under 'Corporate Social Responsibility' in the Directors' report below[1].

The company intends to continue to minimise Greenhouse Gas emissions in the same way in future.

ASSESSMENT OF BUSINESS POSITION AND FUTURE PROSPECTS

At the end of the year the company has continued to build on the strong platform it has established in previous years. It has issued one tap of its 2038 maturity bond and has also launched a new 2051 maturity Sustainable Bond and executed a further tap of the 2051 maturity, on-lending the proceeds to four new borrowers, with total lending growing by over 14% during the year. The terms of the loans give the company a solid base and future income stream. 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 has also considered the impact of Covid-19 and recent Macro-economic conditions arising from the war in Ukraine. It engages regularly and proactively with borrowers to gain comfort on their financial position. 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, 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.

[1] See US Environmental Protection Agency for definitions of GHG emissions: https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance

An empty sheltered housing scheme is being redeveloped by Housing Solutions into 23 much-needed two-bedroomed affordable homes in Furze Platt, Maidenhead.

MORhomes funding will support the development which includes 15 two-bedroom flats for rent and eight for shared ownership.

Signed on behalf of the Board

DocuSigned by:
EE3F92D9B968463...

Neil John Hadden
Director
7 July 2022

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES
The principal activity is to facilitate access to capital markets by UK 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 38.

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

No dividends are proposed for the period (2021: £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[2]., or Sustainable Bonds in accordance with the Sustainability Bond Guidelines 2018[2]. 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.

In 2018, prior to initial launch, MORhomes established a Social Bond Framework following these principles, which can be found on our website. We 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.

In 2021 we went further by issuing a Sustainable Bond Framework in accordance with the Sustainability Bond Guidelines 2018[2]. This can also be found on our website, along with a link to an independent second party opinion from Sustainalytics also concluding that the Framework is 'credible and impactful and aligns with the Sustainability Bond Guidelines 2018'. This Framework has been applied to the 2051 bond launched in the year and will be applied to future new bonds. This makes the bonds more attractive to investors interested in the bonds' impact on all three strands of the 'ESG' agenda (environmental, social and governance).

In February 2022 we published our sustainability impact report, concentrating on the first £492.4m of loans advanced prior to January 2022. This comprehensive report showed that the funds were being used to develop 3,889 new homes of a variety of tenures in 58 local authorities. In addition to supporting jobs, these new homes were enabling more people and families to put down roots, helping people to get a foot on the property ladder, supporting people to become more independent and generating surpluses which will be invested back into neighbourhoods, communities, and more social housing. More detail and stories of our sustainability impact can be read in the full report which is available from our website. The company intends to continue to produce an annual sustainability impact report.

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[2] Social Bond Principles - https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/
[2] Sustainability Bond Guidelines - https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainability-Bonds-Guidelines-June-2018-270520.pdf

In 2020 MORhomes also won the Environmental Finance award for Corporate Social Bond of the year.

The £522.4m of funds raised up to the balance sheet date (2021: £457m) 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, and in the annual sustainability impact report.

Residents have started moving into a new Calico Homes development of 42 affordable homes in Burnley. They were built on formerly unused brownfield land.

MORhomes funding has supported the homes which feature private gardens and driveways. A quarter of the homes feature electrical vehicle charging points.

The wider development also provides ecological enhancement for wildlife such as bird boxes.

MORhomes' wider corporate social responsibility is underpinned by its regard for the UK Corporate Governance Code issued by the Financial Reporting Council on 16 July 2018 (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. Our staff are home-based and we communicate wherever possible electronically, by telephone or by video conference. These arrangements minimise 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, and a Modern Slavery Policy setting out a zero tolerance approach including through contractual arrangements where appropriate.

MORhomes borrower, Pobl Group, is investing loans into hundreds of new homes in Wales.

Pobl's Strategy for decarbonising its new homes is based on a 'Fabric First' approach to ensure that from the onset its homes are built with materials and details to a very thermally efficient standard.
This minimises heat losses and reduces the need for space heating. Pobl will also seek to integrate onsite renewable energy solutions to eliminate the need for gas and other fossil fuels.

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 September 2021 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 March 2022 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 meetings were very well attended and shareholders are supportive of the proposed approach. Similar events are planned going forwards. Shareholders can also contact the Chair or Senior Independent Director directly at any time.

The Board also has 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 during the year and provided important input on a range of issues.

MORhomes borrower Aster Group supplies a wide range of housing options in response to the housing crisis, working towards its vision of ensuring everyone has a home. Aster's development programme will see the housing association deliver 12,000 new homes by 2030.

The Board also takes its responsibilities to investors very seriously and is committed to providing regular opportunities for investors to meet management and receive presentations on the progress of the business either individually or collectively. During the year investors have been invited to such presentations every quarter. We also provide 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, including surveying colleagues at least annually. Remuneration for executives 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 AUDITOR

KPMG LLP were appointed as auditor of the company for the period at the Annual General Meeting on 2 September 2021.

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 AUDITOR

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 auditor is 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 auditor is aware of that information.

SHARE CAPITAL

The company issued share capital with nominal value totalling £37,450 during the year (2021: £73,850). The funds raised from the share capital issues was £386,000 (2021: £742,500) (see note 16 for further details).

STRATEGIC REPORT

Information on the principal risks 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:

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Neil John Hadden
Director
7 July 2022

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 investors, 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 applying the principles of the UK CGC 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 the oversight of 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 year the Board consisted of 7 non-executive directors and the Chief Executive, with a further non-executive director joining the Board immediately after the balance sheet date. 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 (including 6-monthly staff surveys / engagement) 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 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.

The original non-executive members of the Board were appointed during the early start-up phase of the company before it had converted to a PLC and before it had regard to the principles of the UK CGC. This did not involve open advertising or the use of external search consultants. Subsequently the Board adopted a policy of open advertising. 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, and with an intention to increase the diversity of the Board in line with the recommendations of the previous year's external Board effectiveness review. On 1 April 2021 one Board member was replaced in accordance with this policy. A further Board member was replaced on 1 October 2021, and an additional appointment was made on 1 April 2022 to secure an outstanding candidate in advance of the next planned Board member retirement. The Board also appointed 3 new independent non-executive members of the credit committee in advance of the retirement of two members. The recruitment process considered their potential as future Board members, and the Board has agreed in principle that these members can be considered for future Board vacancies, subject to a further appointment process. An external consultancy, Saxton Bampfylde, was appointed to advise on the search and recruitment of the non-executive Board and committee posts – it has no connection with the Company or its directors.

During the year the Board conducted an internal 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 the review and appraisals was that MORhomes continues to have an effective Board with the required skills. Implementation of increased diversity and all other recommendations from the external review in the previous year had further strengthened the Board and committees. The review identified some minor actions to improve Board effectiveness further, which have been or are being implemented.

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. All directors are subject to re-election annually at the Annual General Meeting.

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.

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 Malcolm Cooper and its members Geraldine Howley, Patrick Minjauw, Lisa Pinney and Gloria Yang.

The main responsibilities of the committee are to:

- review changes to standard documentation relating to loans
- oversee the company's borrowing application process
- review the overall policy and process for granting credit approval to borrowers
- appoint credit service providers
- 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 monitored performance of existing loans, including quarterly monitoring (with follow-up actions where appropriate) and annual credit renewals for all current borrowers, as well approving new credit applications and overseeing the granting of new loans. The committee kept the credit policy under review including reviewing the proprietary credit model that underlies our credit rating system.

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 Robert Young and its members Geraldine Howley and Peter Shorthouse.

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
- to oversee the company's relationship with its employees and approve personnel policies.

During the course of the year the committee oversaw an internal 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 a discussion by the Board and each committee on its own effectiveness. 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 applies these principles in recruitment of Board and committee members and senior executives.

The experience of the directors and senior executives is set out under the heading of "DIRECTORS" below.

At the end of the year 0% (2021: 0%) of senior executives and 40% (2021: 11%) of non-executive Board and committee members were female. 33% (2021: 33%) of senior executives and 10% (2021: 0%) of non-executive Board and committee members were from a black and minority ethnic (BAME) background. The Company is committed to equality and diversity, and specific focus will continue to be given to encouraging as wide and diverse a pool of applicants as possible through the cycle of Board rotation, and when appointing senior executives (although this is constrained by the small number of such executives, with only 3 at the end of the year).

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. There has been no specific engagement with shareholders on these arrangements, given their straightforward nature.

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.

Details of executive and non-executive director remuneration can be found in Note 7 to the Accounts.

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 Charles Tilley and its members were Jane Pilcher and Robert Young.

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 reappointment during the period having originally been appointed in 2018 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 has overseen 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.

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

- Going concern, where the committee considered and satisfied itself as to the company's ability to meet its liabilities as they fall due for the period of at least 12 months from the date of signing the Accounts.
- Impairment, where the committee discussed and agreed the calculation of the impairment provision, including the assumptions and judgements used.
- 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 departure from 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.
- The impact of Covid-19 on the company, where the committee noted that the business is fully digitally-enabled and from an operational perspective is relatively unimpacted by Covid-19, as highlighted by its execution of back-to-back bond issuance and on-lending in the early part of April 2020 at the height of the first lockdown. Its housing association borrowers are to some extent exposed to a fall in the property market as well as potentially affected by rent arrears. Typically these exposures can be mitigated by changing the pace of development activities. They are also monitored via the metrics in our credit model and taken into account in our credit assessments, with an overall stable picture experienced during the year. We receive and review borrower management accounts quarterly and a full update of their business plans and financial projections at least once a year. 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 impact of increasing inflation and interest rates on the company where the committee noted the direct control it has over the majority of its cost base (wages and salaries) and the fixed rate back-to-back nature of the company's lending which protects it against interest rate movements. Its housing association borrowers are currently protected by the inflation-linked rent formula and by a skew towards long-term fixed rate borrowing. 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.

During the year the committee engaged McDermott Solutions Ltd to provide internal audit services – it has no connection with the Company or its directors. The internal audit involved performing a review of the company's payment and credit processes.

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 Neil Hadden and its members Malcolm Cooper, Jane Pilcher and Charles Tilley.

The main responsibilities of the committee are:

- To make recommendations to the Board on the company's strategy and policy in relation to its status as an SRI company and its approach to Environmental, Social and Governance (ESG) issues
- To oversee the company's implementation of its SRI and ESG strategy and policy
- To oversee the company's Sustainable Bond Framework and the corresponding arrangements for ensuring the framework is implemented and adhered to as appropriate.

During the course of the year the committee met to monitor the company's continuing alignment with the Sustainable Bond Framework and the Principles, including utilisation of the bond proceeds. The committee has confirmed that this is the case, and further details are included above in the Directors' Report. The committee oversaw the production and publication of the company's sustainability impact report which was issued in February 2022.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following tables show the number of meetings of the Board and each committee for which each director and committee member was eligible to attend during the year and the number attended by each director and committee member.

Member	Board 1 Apr 2021 – 31 Mar 2022					
	Scheduled meetings	**Attended**	**Additional meetings**	**Attended**	**Total meetings**	**Total attended**
Directors						
N J Hadden	7	7	1	1	8	8
M C Cooper	7	7	1	1	8	8
R C Young	7	7	1	1	8	8
C B Tilley	7	6	1	1	8	7
P Shorthouse	7	7	1	1	8	8
G Howley	7	7	1	0	8	7
A J Kitchingman	4	4	0	0	4	4
J Pilcher	3	3	1	1	4	4
P J Symington	7	7	1	1	8	8

Member	Credit Committee		Nomination and Remuneration Committee		Audit and Risk Committee		Socially Responsible Investment Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Directors								
N J Hadden	–	–	–	–	–	–	1	1
M C Cooper	11	11	–	–	–	–	1	1
R C Young	–	–	3	3	3	1	–	–
C B Tilley	–	–	–	–	3	3	1	1
P Shorthouse	–	–	3	2	–	–	–	–
G Howley	11	10	3	3	–	–	–	–
A J Kitchingman	–	–	–	–	1	1	–	–
P Symington	–	–	–	–	–	–	–	–
J Pilcher	–	–	–	–	2	2	1	1
Committee members								
L Pinney	6	6	–	–	–	–	–	–
G Yang	6	5	–	–	–	–	–	–
P Minjauw	6	6	–	–	–	–	–	–
D Carton	8	8	–	–	–	–	–	–
A Newberry	8	8	–	–	–	–	–	–

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The company maintains liability insurance for its directors and officers. This insurance was in place throughout the financial year 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 UK-adopted international accounting standards 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 and prudent;
- state whether [they have been prepared in accordance with UK-adopted international accounting standards;
- 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, Directors' Report, and Corporate Governance Statement 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.

Responsibility statement of the directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

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

Chair 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 prior to the Homes and Communities Agency where he held a number of positions including serving as Deputy Chief Executive. He moved to Aldwyck Housing Association in 2005 as group Chief Executive and became Chief Executive of Genesis in October 2009, stepping down in 2018 on the merger of Genesis with Notting Hill.
Currently Chair of Golden Lane Housing Association.

Malcolm Cooper | Chair of Credit Committee and Senior Independent Director

Member of Socially Responsible Investment Committee

Malcolm is a finance professional with wide experience in infrastructure, property and construction including over 15 years as Group Treasurer for National Grid plc. He is Senior Independent Director at Morgan Sindall plc where he Chairs the Audit Committee and the Responsible Business Committee. He is also the Chair of the Audit and Risk Committee of Local Pensions Partnership Investment Ltd, an independent non-executive director and chair of the Audit Committee of Southern Water Services Limited, an expert witness with Slaughter & May and in June he joined the Board of Custodian REIT plc as Non-Executive Director and as audit committee chair designate.

Peter Shorthouse | Director

Member of Nomination and Remuneration Committee

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 OBE | Chair of Audit and Risk Committee and Director

Member of Socially Responsible Investment Committee

Charles' career has spanned partnership at KPMG and as the CFO of two investment banks, Hambros plc and Granville plc. As CEO of CIMA from 2001 to 2016, he led the merger with the AICPA, and continues to have a number of roles related to the accounting profession. This includes becoming CEO of the International Integrated Reporting Council in 2019, which merged with SASB in 2021 to form the Value Reporting Foundation. Charles is Chair of the Integrated Reporting & Connectivity Council.

Andrew Kitchingman | Resigned from the Board on 1 October 2021

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. Andrew is also Chairman of The Leeds Festival Chorus, Founding Director of Ripon Cathedral Musical Trust, and Treasurer and member of Chapter at Ripon Cathedral. 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 is non-executive director at Andrews Sykes Group PLC, Chairman of The British Board of Agreement Ltd and Director at Southworks UK Ltd.

Rob Young | Chair of Nomination and Remuneration Committee and Director

Member of Audit and Risk Committee

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 and NED at the Prima Housing Group.

Patrick Symington | Chief Executive

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. He was also a Board Member and Chair of Risk at Stonewater HA.

Geraldine Howley OBE | Director

Member of Credit Committee and Nomination and Remuneration Committee

Geraldine is a senior leader in the housing sector in the U.K. She is Chair of CIH Governing Board and Director of the GEM Programme. Geraldine is a Fellow of CIH and a dedicated housing professional with over 40 years' experience of social housing. As a CEO, Chair and Board member she has delivered transformational change, business turnaround, financial restructuring and business start-ups in various organisations. She has been recognised for her achievements with an OBE and an Honorary Doctorate for her services to housing and young people.

Jane Pilcher | Joined the Board as a Director September 2021

Member of Audit and Risk Committee and Socially Responsible Investment Committee

Jane is a Finance professional with over 20 years of experience as a Group Treasurer, most recently at Anglian Water where she has led the raising of green and sustainable finance since 2018. Jane is an Independent non-executive director, Chair of the Risk Committee and Member of the Assets and Liabilities Committee at the Loughborough Building Society and former Senior Independent non-executive director of the Cambridge Building Society and Chair of the Remuneration Committee. She is also a fellow of the Association of Corporate Treasurers.

Anjila Thomas | Joined the Board as a Director April 2022

Anjila is a Senior Managing Director at ING Bank with over 28 years of Banking experience working in the Retail, Wholesale, and Investment Banking Industry. Board Member of ING 's London Branch and leads ING UK's Corporate Sector team, Energy Project Advisory and Transaction Services Businesses. Anjila also has expertise is working with Clients to deliver Strategic & Transaction Solutions across a variety of banking products; M&A, Lending, Sustainable Finance, Debt Capital Markets, Hedging Solutions, Payments, & Working Capital Solutions. Prior to joining ING, Anjila worked at NatWest Bank covering Retail, Mid-Corporate and Large Corporate Client Relationship Management & Head Office Credit. She also has a BSc (Hons) Economics and a BSc Financial Services (ACIB)

COMMITTEE MEMBERS

Gloria Yang | Joined as a Member of the Credit Committee September 2021

Gloria is a Fellow of ACCA and currently the Deputy CEO and Director of Finance at Origin Housing, and a member of the Audit and Risk Committee at Phoenix Community Housing. Gloria has held number of executive, consultancy and non-executive roles in the social housing sector over the last 15 years, including Clarion, East Thames, Metropolitan Thames Valley and Wandle.

Lisa Pinney | Joined as a Member of the Credit Committee September 2021

Lisa is currently employed by Pobl Group as Executive Director – Resources. She joined Pobl in January 2016, and her role covers all areas of Finance, Treasury, Technology, Data, Procurement, Governance, Assurance, Risk and Legal. Pobl Group Company Secretary and is co-opted as an Executive Director on the Group Board. Lisa has been a qualified accountant for over 25 years and has an MA in Leadership and Management. With a professional background in Housing, Education and Manufacturing, Lisa champions collaboration, value for money, and organisational effectiveness. A long-time endurance sport enthusiast, Lisa is an avid participant in middle and long distance triathlons.

Patrick Minjauw | Joined as a Member of the Credit Committee September 2021

Patrick is currently Director of Corporate Finance and Treasury at Orbit. He held the role of Deputy Treasurer of Clarion Housing Group from 2017 to 2021 and briefly assumed the role of Director Treasury and Corporate Finance during this time. Patrick has also held various corporate treasury positions in Adecco Group in Zurich, Switzerland, and was credit analyst in a bank in Belgium.

David Carton | Resigned as Member of Credit Committee December 2021

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 Board member at Mount Green Housing Association.

Andrew Newberry | Resigned as Member of Credit Committee December 2021

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 Trustee Director 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

Andrew Morton | Deputy Chief Executive & Chief Financial Officer

Andrew is a qualified chartered accountant with over 25 years' experience in financial services, firstly in practice with one of the Big Firms followed by a range of different strategic, financial and commercial / business leadership roles with Barclays. More recently he ran his own advisory business alongside a portfolio of Chair and Non-Executive Director roles.

Joseph Carr | Relationship Director

Joseph was Policy Leader with the National Housing Federation and more recently a Director with Altair Consultancy Services. He is a chartered accountant and has a wealth of experience of the Housing Association sector and its financial landscape.

COMPANY SECRETARIAL

The Company Secretary is Andrew Morton who served throughout the year and to date.

PRINCIPAL ADVISORS

Financial advisers:
Chatham Financial, 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

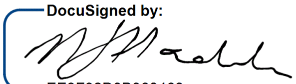
Company administration and accounting service providers
Allia Bond Services Ltd, Future Business Centre, Kings Hedges Road, Cambridge CB4 2HY

SHAREHOLDERS

The following is a list of shareholders (housing association groups) as at the 31 March 2022:

1 A2Dominion
2 Aster
3 Broadacres
4 Broadland
5 Calico Homes
6 Clanmil
7 ClywdAlyn Housing Limited
8 Coastal Housing Group
9 Cornerstone
10 Cottsway Housing Association Ltd
11 Colne
12 emh Group
13 Flagship
14 ForViva
15 Futures Housing Group
16 Gentoo
17 Golding
18 Greatwell Homes
19 Grŵp Cynefin
20 Haford
21 Halton Housing
22 Hastoe
23 Heart of Medway (MHS)
24 Hexagon
25 Hightown Housing
26 Housing Solutions
27 Hyde
28 Incommunities
29 Jigsaw Homes
30 Karbon
31 LiveWest
32 Local Space
33 Melin
34 Midland Heart
35 Network Homes
36 Newlon
37 Newydd Housing Association
38 North Devon Homes
39 North Star
40 Notting Hill Genesis
41 Octavia
42 One Housing
43 Ongo
44 Origin
45 Paradigm Housing
46 Platform
47 Plymouth Community Homes
48 Pobl
49 Red Kite Housing
50 Rochdale Boroughwide Housing
51 Selwood
52 Settle Group
53 South Yorkshire
54 Sovereign
55 Staffordshire Housing
56 Stonewater
57 Swan Housing
58 Thrive Homes
59 Together Housing
60 Torus
61 Town & Country
62 Vivid
63 Wales & West
64 Walsall Housing Group
65 Wandle
66 Wythenshawe

Signed on behalf of the Board

DocuSigned by:

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Neil John Hadden
Chair of the Board of Directors

7 July 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORHOMES PLC

1 Our opinion is unmodified

We have audited the financial statements of MORhomes PLC ("the Company") for the year ended 31 March 2022 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 Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, 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. We summarise below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	**Our response**
Going concern Refer to page 15 (Directors' report) and page 38 (accounting policy)	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Company. That judgement is based on an evaluation of the inherent risks to the Company's business model and how those risks might affect the Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Company's available financial resources over this period were missed payments from the Company's borrowers. There are also less predictable but more likely than not second order impacts, such	We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included: **Funding assessment:** • We assessed the ability of the Company to utilise its Standby Liquidity Facilities , by inspecting the source documentation between the facility

	as changes to legislation affecting the Company's borrowers, which could result in a rapid reduction of available financial resources. The risk for our audit is whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	providers and the Company. **Key dependency assessment:** • We evaluated whether the assumptions made in the Company's forecast are realistic and achievable and consistent with the internal and external environment, as well as other matters identified in the audit. **Sensitivity analysis:** • We assessed the sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; **Assessing transparency:** • We assessed the completeness and accuracy of the matters covered in the going concern disclosures of the financial statement disclosures with reference to the evidence obtained.
Expected credit losses on loan assets (£90,000, 2021: £49,000) Refer to page 21 (Audit Committee report), page 40 (accounting policy) and note 15 (financial disclosures)	**Subjective estimate** The estimation of expected credit losses ("ECL") on financial instruments involves significant judgement and estimates. The ECL provision 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 ("PD") and whether a loan has experienced a Significant Increase in Credit Risk ("SICR"). The Company has no loss experience and the Directors have formed judgements over the estimation of the PD. Furthermore, the selection of the SICR criteria is a key area of judgement as its	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. **Our sector experience:** We used our sector experience to evaluate the reasonableness of management's key assumptions in respect of PD and SICR. **Methodology implementation:** We assessed the Company's staging criteria, and whether the ECL provision is

	drives the Company's staging decision and whether a loan should be classified as stage 1 with a 12 month ECL or stage 2 or 3 with a lifetime ECL. The effect of these matters is that, as part of our risk assessment, we determined that ECL 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. The financial statements disclose the sensitivity estimated by the Company.	appropriately capturing assets which have experienced a SICR. **Sensitivity analysis:** We have stress tested the key assumptions, being PD and SICR, to assess the sensitivity of the resulting ECL to these. **Assessing transparency:** We assessed the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the ECL.

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

Materiality for the company financial statements as a whole was set at £150,000 (2021: £120,000), determined with reference to a benchmark of interest income, of which it represents 0.9% (2020: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £97,500 (2021: £78,000) for the company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements / changes in the control environment during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,500 (2021: £6,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above and was performed by a single audit team.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Company's internal control over financial reporting.

4 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 conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

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 above conclusions are not a guarantee that the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, key management personnel, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, and Credit Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is a limited complexity and judgement in the calculation and recognition of the Company's revenue streams.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted on bank holidays, those posted to seldom used accounts, those containing certain key words and those posted to unusual accounts.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience ,and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, , and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.
In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 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.

7 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.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page A, 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.

9 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.

DocuSigned by:

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Karl Pountney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
8 July 2022

FINANCIAL STATEMENTS

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest income	4	16,504	13,474
Interest expense	4	(15,914)	(13,033)
Net interest income		590	441
Other income	4	320	339
TOTAL INCOME		910	780
Impairment charge		(41)	(16)
Operating expenses		(1,120)	(975)
LOSS BEFORE TAXATION		(251)	(211)
Income tax benefit	8	138	40
LOSS FOR THE YEAR		(113)	(171)

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

The accompanying notes form an integral part of the financial statements.

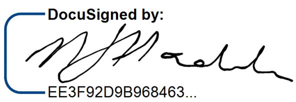
MORhomes PLC
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2022

	Note	Share capital £'000	Share Premium £'000	Contingent convertible notes £'000	Retained Earnings £'000	Total equity £'000
BALANCE AT 1 MARCH 2020		495	2,159	344	(252)	2,746
Issue of share capital	16	74	669	-	-	743
Issue of contingent convertible notes	14	-	-	153	-	153
COMPREHENSIVE LOSS						
Loss for the year		-	-	-	(171)	(171)
TOTAL COMPREHENSIVE LOSS		-	-	-	(171)	(171)
BALANCE AT 31 MARCH 2021 AND 1 APRIL 2021		569	2,828	497	(423)	3,471
Issue of share capital	16	37	349	-	-	386
Issue of contingent convertible notes	14	-	-	41	-	41
COMPREHENSIVE LOSS						
Loss for the year		-	-	-	(113)	(113)
TOTAL COMPREHENSIVE LOSS		-	-	-	(113)	(113)
BALANCE AT 31 MARCH 2022		606	3,177	538	(536)	3,785

The accompanying notes form an integral part of the financial statements.

	Note	31 March 2022 £'000	31 March 2021 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	4	4
Loan assets	10	537,681	472,506
		537,685	472,510
CURRENT ASSETS			
Loan assets	10	1,186	1,650
Trade and other receivables	11	449	500
Cash and cash equivalents	11	2,875	3,033
		4,510	5,183
TOTAL ASSETS		542,195	477,693
CURRENT LIABILITIES			
Trade and other payables	13	(782)	(817)
Bond Liabilities	14	(1,423)	(1,613)
		(2,205)	(2,430)
NON-CURRENT LIABILITIES			
Bond liabilities	14	(536,205)	(471,793)
		(536,205)	(471,793)
TOTAL LIABILITIES		(538,410)	(474,223)
NET ASSETS		3,785	3,471
EQUITY			
Share capital	16	606	569
Share premium	17	3,177	2,828
Contingent convertible notes	17	538	497
Retained earnings	17	(536)	(423)
TOTAL EQUITY		3,785	3,471

The financial statements on pages 38 to 66 were approved by the Board of directors and authorised for issue and are signed on its behalf by:



Neil John Hadden
DIRECTOR
7 July 2022

The accompanying notes form an integral part of the financial statements.

MORhomes PLC
STATEMENT OF CASH FLOWS
Year ended 31 March 2022

	Note	31 March 2022 £'000	31 March 2021 £'000
OPERATING ACTIVITIES			
Net cash flow used in operating activities	18	16,099	12,805
Interest paid		(16,496)	(12,320)
Net cash from operating activities		(397)	485
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment		(1)	(3)
Loans advanced		(65,959)	(159,750)
Net cash used in investing activities		(65,960)	(159,753)
FINANCING ACTIVITIES			
Proceeds from issue of shares		387	743
Receipt of bonds proceeds		65,812	159,655
Net cash generated from financing activities		66,199	160,398
MOVEMENT IN CASH AND CASH EQUIVALENTS		(158)	1,130
Cash and cash equivalents at beginning of year		3,033	1,903
Cash and cash equivalents at end of year		2,875	3,033

The accompanying notes form an integral part of the financial statements.

FINANCIAL STATEMENTS NOTES

1 ACCOUNTING POLICIES

The financial statements for the period ended 31 March 2022 were authorised by the Board on 7 July 2022. MORhomes PLC is a public limited company, is incorporated in England and Wales, and domiciled in the United Kingdom. The registered address is Future Business Centre, Kings Hedges Road, Cambridge, CB4 2HY, England.

The principal accounting policies adopted by the company are set out below. These policies have been consistently applied.

BASIS OF PREPARATION AND ACCOUNTING
These financial statements have been prepared in accordance with UK-adopted international accounting standards, 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 a loss before taxation for the period of £251k (2021: £211k), this includes interest income of £16,504k (2021: £13,474k) and interest expense of £15,914k (2021: £13,033k). The company has a deficit on the profit and loss reserve of £538k (2021: £428k). Cash and cash equivalents amount to £2,875k (2021: £3,0333k). The company also had undrawn funding facilities totalling £10,000k (2021: £10,000k) that can be utilised to address any fluctuations in liquidity.

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.

The directors have carried out a review of the company's ability to continue in operation for the foreseeable future, including assessing the risks arising from Covid-19, looking at least 12 months beyond the date of approval of the financial statements. There is regular and proactive monitoring of borrowers' financial position including levels of liquidity. In addition, the Board believes that it is in a good position to continue to grow the business with further new loans supported by new bond issuance and increase its profitability as it wins new business, as set out in the Strategic Report. The company has in place sufficient capital and liquidity facilities, and has stress tested its business plan for a range of different scenarios of business volume and borrower repayment activity and determined that it is able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements. 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.

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

Standby Liquidity Agreement revenue

Income and related costs from Standby Liquidity Agreements are recognised up-front in the statement of Financial Position, and the respective contract liabilities and assets are released to the statement of Comprehensive Income over the life of the agreement. In the event that a potential borrower decides to borrow within the term of the agreement, the balance remaining of contract liabilities and assets will be released to the Statement of Comprehensive Income at that time.

Other revenue

Other revenue includes security charges levied on Housing Associations and is recognised over the period to which they relate. Credit check fees are also included.

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.

1 ACCOUNTING POLICIES (Continued)

CURRENT AND NON-CURRENT CLASSIFICATION (Continued)
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.

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 deducted from 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 to 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.

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.

1 ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (Continued)
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.

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.

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% - 33% 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.

ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)
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.

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

Amendments to IFRS 9, IAS 39 and IFRS 7 (Interest Rate Benchmark Reform), IFRS 16 (Leases Covid-19 Related Rent Concessions), IAS 1 and IAS 8 (Definition of Material), and References to the Conceptual Framework in IFRS Standards have been applied from 1 April 2020. The Company has reviewed the requirements and has not identified any material impact from the amended standards.

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:

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 a significantly increased risk of default occurring over the expected life of the asset.

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% (2021: 0.03% and 0.05%) and loss given default ranging between 35% and 45% (2021: 20% and 40%). We have used a loss given default of 35% for all secured borrowers and 45% for those that are unsecured.

A sensitivity analysis has been performed below:

2022

Probability default:	ECL Provision	+0.1% PD	-0.1% PD	+10% LGD	-10% LGD
	£'000	£'000	£'000	£'000	£'000
0.03%	7	32	-	10	5
0.05%	83	248	-	106	60
Probability default:	90	280	-	116	65

2021

Probability default:	ECL Provision	+0.1% PD	-0.1% PD	+10% LGD	-10% LGD
	£'000	£'000	£'000	£'000	£'000
0.03%	3	13	-	5	2
0.05%	46	138	-	66	25
Probability default:	49	151	-	71	27

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 contractual future cash payments or receipts through the expected life of the financial instrument (which is its contractual life) 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 uses contractual 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 paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that management judge to be directly attributable to the acquisition or issue of a financial asset or financial liability.

Deferred tax
During the year the company has recognised net deferred tax assets of £138k (2021: £40k). 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). In considering whether sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used, the directors have considered the taxable profits that would be generated both in their base case scenario and in the event that no further lending volume is achieved, with both instances resulting in sufficient profits being generated.

Contingent convertible notes
During both the current year and the previous period the company 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 5.45% and 5.35% (2021: 5.85%) to be a suitable estimate.

A sensitivity analysis has been performed below, in aggregate terms, in relation to the amounts issued in each period:

3 USE OF ESTIMATES AND ASSUMPTIONS (Continued)

2022	Equity element of convertible note	+10 BPS	-10 BPS
	£'000	£'000	£'000
Equivalent rate for comparable instrument:			
5.45%	23	29	19
5.35%	18	23	13
Equity	41	52	32

2021	Equity element of convertible note	+10 BPS	-10 BPS
	£'000	£'000	£'000
Equivalent rate for comparable instrument:			
5.85%	153	170	136
Equity	153	170	136

4 REVENUE

The following table provides an analysis by geographical market:

	31 March 2022 £'000	31 March 2021 £'000
Continuing operations		
United Kingdom	910	780
	910	780

The following table provides an analysis by service:

	31 March 2022 £'000	31 March 2021 £'000
Continuing operations:		
Interest income	16,504	13,474
Interest expense	(15,914)	(13,033)
Net interest income	590	441
Other income	320	339
	910	780

The company has a single segment.

The major customers are made up of 21 Housing Associations entities, from 20 different groups, to which loan assets are issued. As well as interest on loans, revenue is also generated through Standby Liquidity Agreements and security fees.

5 LOSS FOR THE YEAR

	31 March 2022 £'000	31 March 2021 £'000
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	1	2
Staff costs (see note 7)	608	524

6 AUDITOR'S REMUNERATION

	31 March 2022 £'000	31 March 2021 £'000
The analysis of auditor's remuneration is as follows (excluding VAT):		
Fees payable to the company's auditor for:		
- Audit of the company's annual financial statements	75	64
Total audit fees	75	64
Other services:		
All other non-audit services	25	25
Total fees	100	89

7a PEOPLE COSTS AND DIRECTORS' EMOLUMENTS

	31 March 2022 Number	31 March 2021 Number
The average monthly number of employees (including directors) was:		
Directors	11	10
Management and support staff (including key management personnel see note 7c)	4	4
	15	14

People costs including directors' emoluments (see 7b)	31 March 2022 £'000	31 March 2021 £'000
Wages and salaries	534	461
Social security costs	53	50
Other pension costs	21	13
	608	524

7b DIRECTORS REMUNERATION

	31 March 2022 £'000	31 March 2021 £'000
Aggregate emoluments	232	198
	232	198

The Board has agreed the following levels of remuneration for non-executive Board members

Position	Pay
Chair of Board	£22,500
Chair of Credit 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 amount paid during the period by individual director was as follows:

Director	**2022 Salary**	**2021 Salary**
Rob Young	£13,500	£8,250
Charles Tilley	£15,750	£11,438
Peter Shorthouse	£12,000	£10,313
Ann Santry	£-	£9,764
Andrew Kitchingman	£7,667	£10,313
Neil Hadden	£22,500	£15,469
Malcolm Cooper	£17,500	£12,781
Patrick Symington	£119,093	£119,093
Geraldine Howley	£12,000	£-
Jane Pilcher	£6,000	£-

The highest paid director received £119,093 (2021: £119,093). Pension has been provided to one director.

7c KEY MANAGEMENT PERSONNEL

	31 March 2022 £'000	31 March 2021 £'000
Short term employee benefits	379	324
	379	324

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

8 INCOME TAX

	31 March 2022 £'000	31 March 2021 £'000
Current tax		
UK corporation tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(138)	(40)
Total deferred tax	(138)	(40)
Total tax charge	(138)	(40)

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 2022 and 31 March 2021 is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Loss before taxation:		
Continuing operations	(251)	(211)
At UK standard rate of corporation tax of 19% (2021: 19%)	(48)	(40)
Deferred tax – difference in closing tax rates	(90)	-
Expenses not deductible for tax purposes	-	-
Tax charge in the Income Statement	(138)	(40)
Effective income tax rate	55%	19%

8 INCOME TAX (Continued)

During the year the company has recognised deferred tax assets of £138,000 (2021: £40,000) relating to tax losses that are available to offset against future taxable profits.

9 PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £'000
Cost:	
At 1 April 2021	8
Additions	1
Disposals	
At 31 March 2022	9
Accumulated depreciation and impairment:	
At 1 April 2021	(4)
Charged in the period	(1)
At 31 March 2022	(5)
Net book amount:	
At 31 March 2022	4
At 31 March 2021	4

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

10 LOAN ASSETS

	31 March 2022 £'000	31 March 2021 £'000
Loans to housing associations	538,867	474,156

The £522,400,000 (2021: £457,000,000) nominal loan balance excluding premium / discount and costs comprises 22 loans to 21 groups (2021: 18 loans to 16 groups) of not for profit Registered Providers of social housing. The loans are due for repayment in February 2038 and February 2051. As at year end £491,300,000 (2021: £407,500,000) of the loans were secured, with security valued at £694,600,000 held against them. For the remaining £31,100,000 (2021: £49,500,000), the loan was secured with a fixed charge on a single property of de minimis value. The borrower has certified that it has available uncharged property to provide sufficient security to meet an asset cover test.

The fair value of the loans at year end was £458,362,073 (2021: £490,662,552). This calculation has been done using a commercial rate of interest at the reporting date. The carrying value includes a provision of £90,044 (2021: £49,011) 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.

Refer to note 15 for a review of impairment.

10 LOAN ASSETS (continued)

The weighted average of interest receivable by the Company in respect of these loans is 3.58% (2021 3.66%) per annum £18,695k (2021: £16,726k). The loan is made up as follows:

	£'000 31 March 2022	£'000 31 March 2021
Gross amount	542,186	476,227
Issue cost recharges	(4,415)	(3,672)
Impairment	(90)	(49)
Loan interest accrued	1,186	1,650
Carrying value	538,867	474,156

11 OTHER FINANCIAL ASSETS

Trade and other receivables:

	Note	31 March 2022 £'000	31 March 2021 £'000
Trade receivables		5	10
Prepayments and accrued income		69	253
Deferred tax asset	12	375	237
		449	500

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.

Cash and cash equivalents:

	31 March 2022 £'000	31 March 2021 £'000
Bank balances and cash	2,875	3,033
Cash and cash equivalents	2,875	3,033

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.

12 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are attributable to the following:

	Assets 31 March 2022 £'000	Assets 31 March 2021 £'000
Tax losses and other deductions	375	237
Tax assets	375	237

	1 April 2021 £'000	Recognised in income £'000	31 March 2022 £'000
Tax losses and other deductions	237	138	375
	237	138	375

The Company has recognised a deferred tax asset as the Board believes that it is in a good position to continue to grow the business with new loans and increase its profitability. In addition, the Company has stress tested its business plan for a range of different scenarios of business volume and borrower repayment activity and has determined that it is able to realise the deferred tax asset in future periods.

The government has announced an intention to increase the rate of UK Corporation Tax from 19% to 25% on 1 April 2023.

13 OTHER FINANCIAL LIABILITIES

Trade and other payables:

	31 March 2022 £'000	31 March 2021 £'000
Trade payables	65	120
Accruals	585	497
Other creditors	132	200
	782	817

Trade payables comprise amounts outstanding for trade purchases.

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

14 NON-CURRENT LIABILITIES

	31 March 2022 £'000	31 March 2021 £'000
European Medium Terms Notes	512,765	452,202
Second Secured Notes	19,320	16,390
Contingent Convertible Debt	5,543	4,814
	537,628	473,406

European Medium Term Notes:
On 8 November 2021 the company issued £14,900,000 due 2038 secured by a first floating charge on the Issuer's undertaking, property and assets. The proceeds received were £16,741,491, including premium. Interest on the 3.4% bond is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £45,852 has been accrued.

On 18 November 2021 the company issued £18,000,000 due 2051 secured by a first floating charge on the Issuer's undertaking, property and assets. The proceeds received were £17,964,000, including discount. Interest on the 2.508% bond is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £49,594 has been accrued.

On 20 January 2021 the company issued £28,600,000 due 2051 secured by a first floating charge on the Issuer's undertaking, property and assets. The proceeds received were £27,317,290, including discount. Interest on the 2.508% bond is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £83,256 has been accrued.

Second Secured Notes:
On 8 November 2021 the company issued £1,000,000 5.076% Second Secured Notes due 5 March 2038 secured by a second floating charge on the Issuer's undertaking, property and assets. The proceeds received were £1,051,984 including premium. Interest on the notes is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £5,395 has been accrued.

On 18 November 2021the company issued £1,000,000 4.658% Second Secured Notes due 5 March 2051 secured by a second floating charge on the Issuer's undertaking, property and assets. The proceeds received were £1,000,000 including premium. Interest on the notes is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £5,102 has been accrued.

On 20 January 2022 the company issued £1,000,0004.658% Second Secured Notes due 5 March 2051 secured by a second floating charge on the Issuer's undertaking, property and assets. The proceeds received were £949,204 including discount. Interest on the notes is payable twice a year, on 19 August and 19 February in arrears. Interest totalling £5,179 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 £34,143 has been accrued. Of the total amount issued of £5,662,600 (2021: £5,255,500), £539,342 (2021: £496,835) has been reflected within equity.

14 NON-CURRENT LIABILITIES (continued)

Bonds are shown net of debt issue costs of £4,582,000 (2021: £3,672,000).

	31 March 2022 £'000 Fair value	31 March 2021 £'000 Fair value	31 March 2022 £'000 Nominal value	31 March 2021 £'000 Nominal value
European Medium Term Notes	501,766	473,034	499,700	438,200
Second Secured Notes	20,123	17,165	18,995	15,995

The fair value has been calculated using the market value at the reporting date. The fair value of Contingent Convertible Debt remains unchanged.

	31 March 2022 %	31 March 2021 %
The weighted average interest rates paid were:		
European Medium Terms Notes	3.051	3.113
Second Secured Notes	4.761	4.712
Contingent Convertible Debt	5.792	5.850

15 FINANCIAL INSTRUMENTS

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

	31 March 2022 £'000	31 March 2021 £'000
Financial assets measured at amortised cost		
Loan assets	538,867	474,156
Trade receivables	5	10
Cash and cash equivalents	2,875	3,033
	541,747	477,199
Financial liabilities measured at amortised cost		
Trade payables	65	120
Accruals	585	497
Other creditors	132	200
Borrowings	537,628	473,406
	538,410	474,223

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.

15 FINANCIAL INSTRUMENTS (Continued)

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.

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:

2022	Cash and cash equivalents £'000	Loan assets £'000	Trade and other receivables £'000	Total £'000
Less than 1 year	2,875	1,186	5	4,066
1 – 3 years	-	-	-	-
3 – 5 years	-	-	-	-
Over 5 years	-	537,681	-	537,681
Balance at 31 March 2022	2,875	538,867	5	541,747

	Cash and cash equivalents £'000	Loan assets £'000	Trade and other receivables £'000	Total £'000
Less than 1 year	3,033	1,650	10	4,693
1 – 3 years	-	-	-	-
3 – 5 years	-	-	-	-
Over 5 years	-	472,506	-	472,506
Balance at 31 March 2021	3,033	474,156	10	477,199

Financial liabilities analysed by remaining contractual maturity are as follows:

	Borrowings £'000	Trade and other payables £'000	Total £'000
Less than 1 year	1,423	782	2,205
1 – 3 years	-	-	-
3 – 5 years	-	-	-
Over 5 years	536,205	-	536,205
Balance at 31 March 2022	537,628	782	538,410

15 FINANCIAL INSTRUMENTS (Continued)

	Borrowings £'000	Trade and other payables £'000	Total £'000
Less than 1 year	1,613	817	2,430
1 – 3 years	-	-	-
3 – 5 years	-	-	-
Over 5 years	471,793	-	471,793
Balance at 31 March 2021	473,406	817	474,223

Gross undiscounted cash flows analysed by maturity are as follows:

	Borrowings £'000	Trade and other payables £'000	Total £'000
Less than 1 year	17,830	782	18,612
1 – 3 years	35,661	-	35,661
3 – 5 years	35,661	-	35,661
Over 5 years	737,609	-	737,609
Balance at 31 March 2022	826,761	782	827,543

	Borrowings £'000	Trade and other payables £'000	Total £'000
Less than 1 year	15,974	818	16,792
1 – 3 years	31,947	-	31,947
3 – 5 years	31,947	-	31,947
Over 5 years	651,132	-	651,132
Balance at 31 March 2021	731,000	818	731,818

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 12 months (2021: 12 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 7 metrics averaged over a 10 year forward and backward time horizon.

15 FINANCIAL INSTRUMENTS (Continued)

At the end of the period the split of the loans by borrowing lending level was as follows

	Carrying value **2022**	Carrying value 2021	Concentration **2022**	Concentration 2021
Level 1	£19.3m	£Nil	4%	0%
Level 2	£303.6m	£262.5m	58%	58%
Level 3	£139.5m	£134.5m	27%	29%
Level 4	£60m	£60m	11%	13%
Level 5 (Fail)	£Nil	£Nil	0%	0%

Based on our credit cleared borrowers and potential borrowers who are also publicly rated: Level 1 is broadly equivalent to Moody's rating A1; Level 2 is broadly equivalent to Standard and Poors rating A+ and to Moody's A2. Level 3 is broadly equivalent to Standard and Poors rating A and Moody's A3. By deduction, Level 4 would be broadly equivalent to Standard and Poors rating A- and Level 5 would be broadly equivalent to Standard and Poors rating BBB+ or worse.

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 (2021: Nil).

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 2022 £'000	31 March 2021 £'000
Financial assets measured at amortised cost:		
Loan assets	538,867	474,156
Trade receivables	5	10
Cash and cash equivalents	2,875	3,033
	541,747	477,199

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.

15 FINANCIAL INSTRUMENTS (Continued)

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 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 funding and/or group support;
- A breach of contract, including receipts being past due without prior agreement;
- Indicators that the counterpart will enter bankruptcy or liquidation

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 borrower has occurred or is expected;
- Significant declines in the borrower 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 borrower'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 borrower; 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 borrower.

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, or unless previously agreed. No assets are considered to have experienced a significant increase in credit risk as at the period end.

Forward looking information
Loans are secured on property and therefore the company considers its greatest exposure to macroeconomic conditions to be the impact on the value of security held as collateral. In determining provisions for loss impairment the Group uses three macroeconomic scenarios for house prices which are

15 FINANCIAL INSTRUMENTS (Continued)

considered to represent a range of plausible scenarios. Scenarios are developed based on analysis of third party published economic data and forecasts as well as expert management judgement. A summary of the three macroeconomic scenarios for house price movements are as follows:

	31 March 2022	31 March 2021
	%	%
Base case (50% weighting)	(3.2)	(1.7)
Upside (25% weighting)	6.8	7.3
Downside (25% weighting)	(13.2)	(12.7)

Impairment losses on financial instruments

Impairment losses comprises:

	31 March 2022 £'000	31 March 2021 £'000
Impairment losses on financial assets measured at amortised cost:		
Loan assets	41	16

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	Prepayments and accrued income
Performance:	£'000	£'000	£'000
Performing	538,867	5	70
Under-performing	-	-	-
Non-performing	-	-	-
Total gross carrying amount at 31 March 2022	538,867	5	70

	Loan assets	Trade receivables	Prepayments and accrued income
Performance:	£'000	£'000	£'000
Performing	474,156	10	481
Under-performing	-	-	-
Non-performing	-	-	-
Total gross carrying amount at 31 March 2021	474,156	10	481

15 FINANCIAL INSTRUMENTS (Continued)

Probability of default:	Loan assets £'000	Trade receivables £'000	Prepayments and accrued income £'000
0.03%	69,039		
0.05%	469,828	5	70
Total gross carrying amount at 31 March 2022	538,867	5	70

Probability of default:	Loan assets £'000	Trade receivables £'000	Prepayments and accrued income £'000
0.03%	49,902	-	-
0.05%	424,254	10	481
Total gross carrying amount at 31 March 2021	474,156	10	481

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'		
Loss allowance	Loan assets £'000	Trade receivables £'000	Prepayments and accrued income £'000
Opening balance 2021	(49)	-	-
Loss allowances recognised in the period	(41)	-	-
Closing balance 2022	(90)	-	-

All financial instruments are currently recognised as stage one instruments.

16 SHARE CAPITAL

	31 March 2022 £'000	31 March 2021 £'000
Authorised: 6,062,000 ordinary shares of £0.10 each (2021: 5,687,000 of £0.10)	606	569
Allotted, issued and fully paid: 6,062,000 ordinary shares of £0.10 each (2021: 5,687,000 of £0.10)	606	569

16 SHARE CAPITAL (Continued)

Movements in ordinary share capital:

	Date	Number of shares	Nominal Value	£'000
Balance brought forward	1 April 2020	4,948,501	£0.10	495
Issue of shares	15 April 2020	125,000	£0.10	12
Issue of shares	15 April 2020	50,000	£0.10	5
Issue of shares	02 October 2020	150,000	£0.10	15
Issue of shares	26 October 2020	150,000	£0.10	15
Issue of shares	26 January 2021	108,000	£0.10	11
Issue of shares	18 February 2021	16,000	£0.10	1
Issue of shares	26 March 2021	139,000	£0.10	14
Issue of shares	14 September 2021	16,000	£0.10	2
Issue of shares	28 September 2021	16,000	£0.10	2
Issue of shares	14 October 2021	16,000	£0.10	2
Issue of shares	08 November 2021	80,500	£0.10	8
Issue of shares	18 November 2021	96,500	£0.10	9
Issue of shares	20 January 2022	150,000	£0.10	15
				606

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

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 2022 £'000	31 March 2021 £'000
Continuing operations		
Loss before tax	(251)	(211)
Adjustments for:		
Depreciation	1	2
Interest payable	15,914	13,033
Interest receivable	(16,504)	(13,474)
Tax credit	(138)	(40)
Impairment expense	41	16
Loan asset recharges	742	1,344
Bond issuance and programme costs	(825)	(1,005)
Loan interest received	16,966	12,783
Decrease in receivables	188	140
(Decrease)/increase in payables	(35)	217
Net cash used in operating activities	16,099	12,805

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 2022 £'000	Other income 2022 £'000	Interest income 2021 £'000	Other Income 2021 £'000
Transactions with related parties:				
Housing Associations with joint control	16,504	320	13,474	339

	Interest expense 2022 £'000	Interest expense 2021 £'000
Transactions with related parties:		
Housing associations with joint control	286	233

Amount due from related parties:	Loans	Interest accrued	Total
2022	£'000	£'000	£'000
Housing Associations with joint control	537,681	1,186	538,867

Amount due to related parties:	Loans	Interest accrued	Total
	£'000	£'000	£'000
Housing Associations with joint control	6,008	27	6,035

19 RELATED PARTY TRANSACTIONS (Continued)

Amount due from related parties: **2021**	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	472,506	1,650	474,156

Amount due to related parties:	Loans £'000	Interest accrued £'000	Total £'000
Housing Associations with joint control	5,311	49	5,360