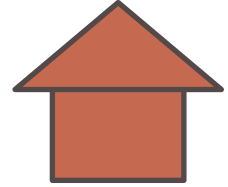


MOR



# MORhomes PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2024**



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

Company Registration No. 10974098

MORhomes PLC  
CONTENTS PAGE

---

**Contents**

	PAGE
OFFICERS AND ADVISORS .....	2
MISSION AND OBJECTIVE.....	3
CHAIR’S STATEMENT .....	4
STRATEGIC REPORT .....	6
DIRECTORS’ REPORT .....	155
GOVERNANCE REPORT.....	200
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF MORHOMES PLC .....	311
FINANCIAL STATEMENTS .....	17
FINANCIAL STATEMENTS NOTES.....	411

MORhomes PLC  
OFFICERS AND ADVISORS

---

## **OFFICERS AND ADVISORS**

### **DIRECTORS**

N J Hadden (Chair)  
M C Cooper  
M T Hinch (appointed 1 April 2024)  
G L Howley  
A D Morton (appointed 1 May 2023)  
J E Pilcher  
P J Symington (resigned 30 April 2023)  
C B Tilley (resigned 31 March 2024)  
A Thomas

### **SECRETARY**

Allia Bond Services Ltd (appointed 22 May 2023)  
A D Morton (resigned 22 May 2023)

### **REGISTERED OFFICE**

Future Business Centre  
Kings Hedges Road  
Cambridge  
CB4 2HY  
England

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

MORhomes PLC  
MISSION AND OBJECTIVE

---

## **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.

MORhomes PLC  
CHAIR'S STATEMENT

---

## CHAIR'S STATEMENT

Having been involved in the development of MORhomes PLC from the very beginning some eight years ago, I am pleased to be writing this introduction to its fifth annual report which covers the fourth 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.

The financial year has been a challenging one for the UK as a whole with continued high inflation and interest rates, and increasing global instability. The effect of this has been that public bond issuance has continued to be very limited. In general Housing Association borrowers have significant liquidity available to them, and are therefore either able to wait for interest rates to start falling again or to secure short-term facilities while rates are high, with consequent impact on providers of long-term funding including but not limited to MORhomes.

The government also applied a rent cap in England for the 2023/24 financial year, set at 7% compared to the c.11% which would have been implied by the long-term CPI+1% rent settlement. Inevitably the cap on income, combined with high inflation and interest rates, adversely affects the returns from future investment in social housing, whether that be through the development of new homes or through increasing the quality and energy-efficiency of the existing stock. This has resulted in a virtual standstill in the number of capital markets fundraises undertaken by the sector, as housing associations have reassessed their plans and rephased their investment plans in order to maintain their financial strength.

The strength and resilience of the MORhomes PLC business model has continued to be demonstrated throughout the year, with tight management and strong cost control more than halving the net loss despite no new loans being issued, and a bottom line profit being generated when one borrower settled their loan early. As a result, total equity has grown by 28% during the year, and the borrower remains a shareholder. When the coronavirus pandemic seriously disrupted markets in 2020 we were there for our borrowers, amongst the first to issue debt in April 2020 as the markets returned to more normal conditions. In 2022, when market conditions became more challenging as the war in Ukraine continued, we enabled a new borrower to act quickly in August 2022 to raise funds in a few weeks, shortly before gilt yields increased by over a percentage point.

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. The strength of the credit has been recognised by S&P, who affirmed our A- credit rating in December 2023, and we have taken steps proactively to address the reasons given for the move to negative outlook. We continue to be an important option for housing associations raising longer-term fixed interest debt.

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 PLC model
3. Maintaining strong governance and improving operational efficiency and cost-effectiveness, in particular while market volumes are subdued.

MORhomes PLC 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. We intend that all future maturities will be Sustainable Bonds. In parallel with this Annual Report, we are also issuing a powerful Sustainability Impact Report showing what has been achieved with the funds we have raised. Examples of our sustainability impact are shown throughout this report.

MORhomes PLC  
 CHAIR'S STATEMENT

---

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 Charles Tilley, who left us at the end of the financial year as part of our planned Board rotation. I am also grateful to Patrick Symington, who began a well-earned retirement at the end of April 2023 having been instrumental in the initial formation of MORhomes PLC and in building us up to become an established lender to the sector. I want to place on record my thanks to Patrick, without whom none of this would have been possible. I also congratulate Andrew Morton on his seamless transition into the CEO role, with Andrew having previously occupied the role as Patrick's deputy.

We believe that MORhomes PLC is in a good position to maintain its credit strength and consequently continue to provide an alternative source of new loans to our shareholders. 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



*MORhomes borrower, Selwood Housing, has transformed an empty former pub in Trowbridge into nine much-needed affordable homes. Its loan from MORhomes has contributed to redeveloping the site which had been vacant for many years. The housing association has created six new homes for affordable social rent and three for shared ownership.*

*Selwood has also worked closely with the local community on the project, including inviting school children to name the site and working with local historians to capture and save the pub's history.*

*This was Selwood's first ever EPC A-rated development, the highest energy efficiency rating, helping towards its 2030 and 2050 carbon reduction targets.*

*Economic and environmental factors were also considered during the demolition of the former pub. The demolition contractor estimated that 95% of the demolition waste would be recycled in some capacity, with only the remaining 5% of waste ending up in landfill.*



## STRATEGIC REPORT

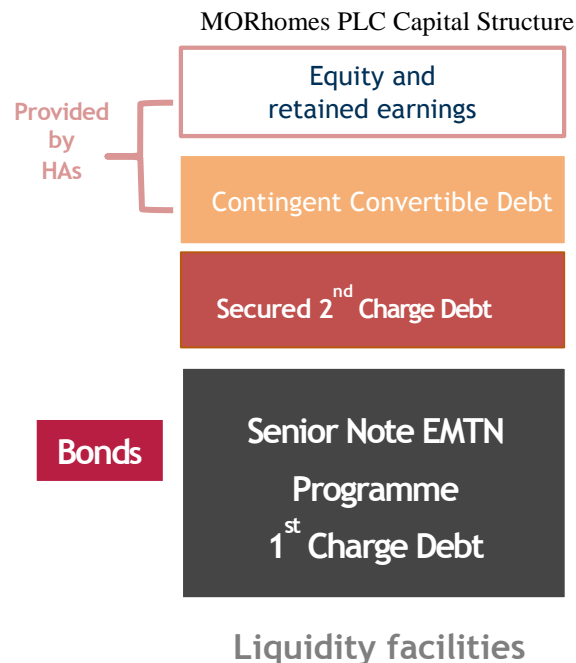
### OUR BUSINESS MODEL AND HOW WE GENERATE VALUE

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.



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 (2023: 67) following the merger of 2 shareholders. 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 PLC

### STRATEGIC REPORT (continued)

---

MORhomes PLC strategic ambition is to take a significant share of the market for housing association capital markets debt issuance subject to maintaining its credit strength. Even at low levels of issuance the fees we earn would be sufficient to cover the minimum required 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 PLC 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.

#### PROMOTION OF COMPANY SUCCESS

The directors have a duty to promote the success of the company for the benefit of its members as a whole. In so doing the directors have regard to:

- The likely consequences of any decisions in the long term, with long-term planning undertaken to reflect the impact of decisions;
- The interests of the company's employees, with employees having regular opportunity for engagement both with senior executives and with the Senior Independent Director without the Chief Executive Officer present;
- The need to foster the company's business relationships with suppliers, customers and others, with a Borrowers Advisory Group meeting regularly and with regular dialogue with key suppliers and other stakeholders;
- The impact of the company's operations on the community and the environment, with attention paid including to the company's ESG rating with MSCI;
- The reputation for a high standard of business conduct, with the company having regard to applying the UK Corporate Governance Code; and
- The need to act fairly as between members of the company, with regular dialogue with shareholders throughout the year.

#### REVIEW OF THE YEAR

The financial year has seen continued inflationary pressures, with interest rates remaining at elevated levels in an attempt to limit inflation. As a result of double-digit inflation, the government also introduced a rent cap for housing associations which applied during the financial year.

Nevertheless the strength and resilience of the MORhomes PLC business model has continued to be demonstrated throughout the year. We more than doubled the size of our business since launch, with lending having grown from £260m at launch to £542.4m as at 31 March 2023, before reducing slightly this year to £512.4m as at 31 March 2024 following an early repayment made during the year.

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:



MORhomes PLC  
STRATEGIC REPORT (continued)

- Building a pipeline of potential borrowers with 55 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. 30 such agreements have been entered into to date, with 13 utilised, and continuing renewals.
- Generating significant income to be recognised over time from documentation fees, issuance fees and security fees. This includes £110k in Other Income recognised during the year.
- Continuing to review the loan portfolio, providing regular on-going investor updates
- Affirmation of our A- credit rating by S&P, with steps taken to address the move to negative outlook
- Issuing our latest Sustainability Impact Report (unaudited) 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 appreciate the work that MORhomes has put in to complete this deal in a very challenging market and are very pleased with the outcome. The speed that all sides were able to turn around the requirements for the transaction to be processed were faster than we could have achieved anywhere else. This will help us mitigate current short term interest rate risks as we continue our work to provide local affordable homes.”*

Mark Mayler – Group Finance Director,  
Selwood Housing

Conditions in the capital markets have been challenging throughout the year. The benchmark gilt yield on our 2038 bond almost touched 5% in October 2023, having been 3.75% at the start of the year, and as low as 0.75% in August 2021, as a consequence of the rapid increase in underlying interest rates. Combined with the rent cap, this has required housing associations to adjust the phasing of their investments, with a knock-on impact on funding needs. In common with aggregator peers, no new loans were completed during the year as housing associations reduced their levels of investment as a consequence of high interest rates and inflation. Nevertheless, 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- and actions taken to address the negative outlook. Looking to the future, we consider that this positions us well to secure an increasing share of housing association lending as volumes recover. 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 profit after tax of £1,077k (2023: £97k loss) driven principally by the gain arising on early settlement of a loan by one borrower. Excluding gains on early settlement, the net loss was more than halved to £59k (2023: £129k) following strong management and tight cost control, which was better than budget notwithstanding the lack of new lending during the year. 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.

We have established a sound financial position. As at March 2024 shareholders’ funds were £4.9m (2023: £3.8m). Of this, £2.7m (2023: £2.7m) 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 (2023: £0.5m) is the equity value of contingent convertible loans provided by borrowers. The remaining £1.7m (2023: £0.6m) represents the ‘membership’ equity from the 66 housing association members, plus profits 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.

## MORhomes PLC

### STRATEGIC REPORT (continued)

---

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 items reported to the Board include:

- Lending volume – growth in loan assets leads to increases in net interest income
- Relative bond performance – comparison of spread to that of peers is a measure of price-competitiveness
- Operating costs – tight cost control plays an important role in driving the net financial result
- Loan security – borrowers have up to a maximum of 12 months to perfect security charging
- Credit rating – the company maintains a public credit rating with S&P, the level of which impacts on price-competitiveness

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 meaningful share of the addressable market for housing association debt capital markets (DCM) issuance while maintaining our credit strength.

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 PLC 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, in particular while levels of borrowing in the market in general are subdued.



MORhomes PLC  
STRATEGIC REPORT (continued)

---

*Broadland Housing is investing MORhomes funding into a high-quality development of five homes in Thetford, Breckland which will provide dedicated support to people who have been sleeping rough.*

*The housing association has partnered with Breckland Council to build four terraced homes and an adjoining bungalow with a shared garden space.*

*Once completed, people who have experienced homelessness will move in and be supported to move on into longer-term accommodation. Additional support will revolve around access to education, employment opportunities and healthcare.*

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 overseen by the Credit Committee
- 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 where the Audit and Risk Committee deems it necessary.

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 auditors.

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 exist.

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:

MORhomes PLC  
STRATEGIC REPORT (continued)

Principal risks	Management of risks
Credit risk on individual borrowers and housing association sector	Credit policy including exposure limits; credit management and monitoring process, including regular review of the impact of climate change, interest rates, rent cap 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; tight cost control including reduced Board size; 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	Principal risks around climate change relate to borrower credit risk, and are covered in the Climate Change section of this Strategic Report.

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

While not mandatory, the company voluntarily reports in line with the Taskforce on Climate-Related Financial Disclosures, including Streamlined Energy and Carbon Reporting.

*Governance*

Responding to climate-related issues is fundamental to MORhomes PLC 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 Officer 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.

## MORhomes PLC

### STRATEGIC REPORT (continued)

---

#### *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, water, or any other sector other than social housing. The company has a remote operating model, with no office building and with staff being home-based and conducting the vast 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 Regulatory News Service (RNS). As at 31 March, the composition of the company's portfolio by credit level was:

MORhomes PLC  
STRATEGIC REPORT (continued)

Credit Level	Portfolio Limit	2024	2023
Level 1 (strongest)	Unlimited	4%	4%
Level 2	60% (plus balance of Levels 3/4)	61%	60%
Level 3	30% (plus balance of Level 4)	29%	26%
Level 4	20%	6%	10%
Level 5 (fail)	0%	0%	0%

In addition, the company also produces an unaudited Annual Sustainability Impact report which sets out the impact of funds lent, the most recent of which is released at the same time as this Annual Report covering the impact of all funds lent up until 31 March 2024. The report includes data on key criteria defined in the Sustainability Reporting Standard. A summary of the use of proceeds is shown in note 14.

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 while the company builds towards underlying profitability. 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) emissions are considered to be nil (2023: nil) and Scope 2 (indirect) emissions are considered to be 0.035 tCO<sub>2</sub>e (2023: 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<sup>1</sup>.

The company intends to continue to minimise Greenhouse Gas emissions in the same way in future, with an ambitious target to maintain zero Scope 1 and de minimis tCO<sub>2</sub>e Scope 2 emissions.

Similarly, the company does not:

- produce any electronic or hazardous waste;
- produce any emissions of sulphates, phosphates, cadmium, lead, nickel, benzene, naphthalene or pesticides of any kind;
- emit any inorganic pollutants; or
- emit any ozone-depleting substances.

The company also has an ambitious target not to produce or emit any of the aforementioned items in the future either.

#### 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, with a 28% increase in total equity. The terms of the loans made to date 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 in line with IFRS 9, noting that all loans are performing and all payments are up-to-date. The Board has also considered the impact of macro-economic conditions including those arising from the wars in Ukraine and the Middle East, and the rent cap. It engages regularly and proactively with borrowers to gain comfort on their financial position. The Board therefore has a reasonable expectation that the

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

MORhomes PLC  
STRATEGIC REPORT (continued)

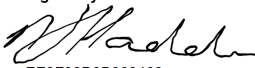
---

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.

The Board believes that it is in a good position to continue to maintain the credit strength of the business and consequently provide an alternative source of new loans to our shareholders.

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.

Signed on behalf of the Board

Signed by:  
  
EE3F92D9B968463...

**Neil John Hadden**  
Director  
16 July 2024

MORhomes PLC  
DIRECTORS' REPORT

---

## DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 31 March 2024.

### 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 year are set out on page 37.

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

No dividends are proposed for the year (2023: £Nil).

### DIRECTORS

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

### CORPORATE SOCIAL RESPONSIBILITY

MORhomes PLC 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 PLC bonds are Social Bonds in accordance with the Social Bond Principles 2018<sup>2</sup>, or Sustainable Bonds in accordance with the Sustainability Bond Guidelines 2018<sup>3</sup>. 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 PLC 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<sup>3</sup>. 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 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 parallel with this Annual Report we publish our sustainability impact report. This comprehensive report showed that the funds were being used to develop 4,494 new homes of a variety of tenures in 65 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 a sustainability impact report for each year in which there are new loan projects to report on.

---

<sup>2</sup> Social Bond Principles - <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>3</sup> Sustainability Bond Guidelines - <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainability-Bonds-Guidelines-June-2018-270520.pdf>



## MORhomes PLC

### DIRECTORS' REPORT (continued)

---

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

The funds raised up to the balance sheet date 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.



MORhomes PLC 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. In addition, as a consequence no workdays have been lost to injuries sustained at work.

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. There have been no cases of bribery or corruption identified.

#### 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 2023 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 2024 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 were supportive. 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 PLC on matters that are important to shareholder borrowers and potential borrowers. The Group met periodically during the year and provided important input on a range of issues.

MORhomes PLC  
DIRECTORS' REPORT (continued)



*A mum has described how moving into one of four homes which Broadacres has retrofitted to make them the most energy efficient and environmentally friendly homes in its entire stock as like “winning the lottery”.*

*MORhomes borrower, Broadacres, has used its loan to support extensive retrofitting works across North Yorkshire.*

*The deep retrofitting of these homes will reduce energy demand by up to 70% and will eventually reduce carbon emissions by 100% when the National Grid becomes decarbonized. Work has included installing renewable energy, air source heat pumps, solar panels, triple glazed windows, and*

*doors, laying thicker loft, floor, and wall insulation, and installing a system which uses residual heat from shower water to preheat the incoming cold water and another which extracts warm, damp air from the home and draws in fresh air from the outside.*

*Broadacres is committed to providing homes, whether they are new or older properties, that are warm and affordable, and that its customers who live in these homes have the best possible experience.*

*Resident, Jane, said; “I cried when I was given the keys and saw how wonderful the house is.”*

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 financial statements 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 and who have access to bespoke training opportunities appropriate for their roles. For example, a graduate trainee programme was offered with training provided including through an external credit professional. Employees are encouraged to look for certifications to progress their careers and develop their skillsets. Employees have access to flexible working arrangements including the ability to work from home, work part-time, and work more flexible hours to suit their personal circumstances. A whistleblowing policy is in place including whistleblower protection, 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, including assessing the capital and liquidity position, the Directors considered and satisfied themselves 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 Financial Statements, and therefore consider it appropriate to adopt the going concern basis of accounting in preparing this Annual Report and Financial Statements.

MORhomes PLC  
DIRECTORS' REPORT (continued)

---

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

INDEPENDENT AUDITORS

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

DIRECTORS' CONFIRMATIONS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2) the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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.

SHARE CAPITAL

The company issued share capital with nominal value totalling £nil during the year (2023: £11,600). The funds raised from the share capital issues was £nil (2023: £120,000) (see note 16 for further details).

POST BALANCE SHEET EVENTS

Following the end of the financial year, Mike Hinch was appointed as a Director of the company on 1 April 2024, replacing Charles Tilley who retired on 31 March 2024.

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 year (2023: £Nil).

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

MORhomes PLC  
DIRECTORS' REPORT (continued)

---

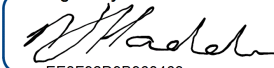
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Signed by:  
  
EE3F92D9B968463...

**Neil John Hadden**  
Director  
16 July 2024

MORhomes PLC  
GOVERNANCE REPORT

---

## 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 PLC 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 PLC 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, COMMITTEES 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 there to be at least one director who is independent of the company and with relevant experience in accounting, risk and capital markets matters. During the year the Board consisted of 6 non-executive directors and the Chief Executive Officer. The Board considers that all the non-executive directors are independent of the company and that the above requirements have been met throughout the year.

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 Officer 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 Officer are available on request from [admin@morhomes.co.uk](mailto: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.

## MORhomes PLC

### GOVERNANCE REPORT (continued)

---

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 should 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 2020/21 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, with 2 Board members then retiring as planned on 31 August 2022. 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 2023/24 financial year, the company undertook a focused recruitment process internally to identify a replacement for a retiring director, with the intention to identify a finance professional with housing expertise from within our shareholder base.

During the year an external review of the effectiveness of the Board and committees was undertaken by Peter Walters Consultancy (who has no connection with the company or its directors), together with 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 PLC continues to have an effective Board with the required skills, and that future Board rotation should ensure continued maintenance of skillsets. The review identified some minor actions to streamline operations and improve Board effectiveness further, which have been implemented.

Non-executive 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 PLC. 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. The terms of reference of each committee were reviewed during the year. 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](mailto:admin@morhomes.co.uk).

MORhomes PLC  
GOVERNANCE REPORT (continued)

---

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, Jane Pilcher, 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 year 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 as approving new credit applications. 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 operated during the year. Following the end of the financial year, the Board undertook a review of committee activities in light of the scale of the company's operations and concluded that it would take on the work of the committee directly for the time being going forwards.

While in existence, the committee comprised at least two members, all of whom were independent non-executive directors and who did not include the Chair of the Board.

The main responsibilities of the committee were:

- 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.

## MORhomes PLC

### GOVERNANCE REPORT (continued)

---

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

Further, the committee oversaw a thorough assessment process to appoint a new Chief Executive Officer to replace Patrick Symington following his retirement on 30 April 2023.

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% (2023: 0%) of senior executives and 56% (2023: 56%) of non-executive Board and committee members were female. 0% (2023: 0%) of senior executives and 22% (2023: 22%) 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 1 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 Financial Statements.

#### AUDIT AND RISK COMMITTEE

The committee comprises at least two 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, which is considered to be the financial services industry.

At the date of this report the Chair of the committee was Jane Pilcher and its members were Mike Hinch and Anjila Thomas.

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



MORhomes PLC  
GOVERNANCE REPORT (continued)

- 
- to review the content of the annual report and financial statements 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
  - to review procedures and controls relating to compliance, whistleblowing, prevention of fraud and bribery
  - to assess the need for internal audit and oversee any work deemed necessary
  - to consider and make recommendations to the board on the appointment, re-appointment and removal of the company's external auditors
  - to assess annually the external auditors' independence and the effectiveness of the audit process and review the policy on the provision of non-audit services by the auditors
  - to meet with the external auditors without management being present at least once a year
  - to review the findings of the audit with the external auditors.

The committee is satisfied as to the independence of the auditors. The company's policy is that the auditors should typically only provide services related to the audit and provision of 'comfort letters' relating to debt issuance. The committee assessed the work of the auditors following the year 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).

During the year 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 year. 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 Financial Statements.
- 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 impact of continued high interest rates and borrower input costs on the company, where the committee noted the direct control it has over the majority of its own 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 a skew towards long-term fixed rate borrowing and by the rent cap for the 2023/24 financial year being a one-off, reverting back to the inflation-linked rent formula for 2024/25. 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 success of the management actions taken to mitigate the impact of the continued weak long-term lending market, with the net loss more than halved notwithstanding the absence of new lending during the year.

The committee determines and regularly reviews the scope of internal audit work required across the full scope of its operations, including consideration of ethical standards and anti-corruption policies. There has been no internal audit this financial year.

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. The policy includes whistleblower protections.

MORhomes PLC  
GOVERNANCE REPORT (continued)

---

SOCIALLY RESPONSIBLE INVESTMENT (SRI) COMMITTEE

The committee currently comprises three members who are directors.

At the date of this report the Chair of the committee was Neil Hadden and its members Malcolm Cooper and Mike Hinch.

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 is issued in parallel with this Annual Report.

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 2023 – 31 Mar 2024					
	Scheduled meetings	Attended	Additional meetings	Attended	Total meetings	Total attended
<b>Directors</b>						
N J Hadden	8	8	0	0	8	8
M C Cooper	8	8	0	0	8	8
C B Tilley	8	7	0	0	8	7
A Morton	7	7	0	0	7	7
G Howley	8	8	0	0	8	8
A Thomas	8	8	0	0	8	8
J Pilcher	8	6	0	0	8	6
P J Symington	1	1	0	0	1	1

MORhomes PLC  
GOVERNANCE REPORT (continued)

1 Apr 2023 – 31 Mar 2024

Member	Credit Committee		Nomination and Remuneration Committee		Audit and Risk Committee		Socially Responsible Investment Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
<b>Directors</b>								
N J Hadden							2	2
M C Cooper	5	5					2	2
C B Tilley					4	4	2	2
G Howley	5	4	3	3				
A Thomas			3	3	4	4		
J Pilcher			1	1	4	4	2	2
<b>Committee members</b>								
L Pinney	5	3						
G Yang	5	4						
P Minjauw	5	5						

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**

Malcom is a Finance professional with wide experience in infrastructure, property, and construction with over 15 years as Group Treasurer for National Grid plc. President of the Association of Corporate Treasurers and holds a number of Non-Executive positions including Non-Executive Director, Chair of the Audit Committee and Chair of the Responsible Business Committee at Morgan Sindall plc. Non-Executive Director and Chair of the Audit and Risk Committee of Local Pensions Partnership Investments Ltd. Non-Executive Director, Chair of the Audit and Risk Committee and Chair of the Remuneration Committee of Southern Water Services Limited. Non-Executive Director, Chair of the Audit Committee at Custodian REIT plc.

MORhomes PLC  
GOVERNANCE REPORT (continued)

---



**Charles Tilley OBE | Resigned from the Board on 31 March 2024**

Charles is Chair of the Integrated Reporting and Connectivity Council which acts as an advisor to the IFRS Foundation, advisor to Anmut Limited and is a governor of Seaford College as a member of the board of the Johnson Trust Limited. He is a former CEO of the International Integrated Reporting Council and CIMA, the Chartered Institute of Management Accountants through which he is a qualified accountant, following CFO roles at two banks and partnership at KPMG.



**Patrick Symington | Retired as Chief Executive and resigned from the Board on 30 April 2023**

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 is a Board Member of Estuary Housing Association and Independent Member of the Treasury Committee at Metropolitan Thames Valley. He was previously Executive Director at First Wessex responsible for Finance, IT, Governance and Business Transformation and has also been a Board Member and Chair of Risk at Stonewater HA.



**Geraldine Howley OBE | Director**

**Member of Credit 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, as well as Director and Chair Designate of Together Group. 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 | Director**

**Chair of Audit and Risk Committee and Member of Credit Committee**

Jane is a Finance professional with over 20 years of experience as a Group Treasurer, most recently at Anglian Water where she 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.

MORhomes PLC  
GOVERNANCE REPORT (continued)



**Anjila Thomas | Director**

**Member of Audit and Risk Committee**

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. Currently ING’s Head of Sectors UK. 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)



**Andrew Morton | Chief Executive Officer**

**Appointed to the Board on 1 May 2023**

Andrew is a qualified chartered accountant with over 30 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, and is currently Vice Chair of Alexandra Palace Trading Limited, Chair of Middlesex FA’s Commercial Advisory Board and Director of Middlesex Community Football Centres Limited.



**Mike Hinch | Director – Appointed to the Board 1<sup>st</sup> April 2024**

**Member of Audit and Risk and Socially Responsible Investment Committee**

Mike is an experienced housing professional who is also a qualified accountant and holds an MBA. He has been Group Chief Executive of Newlon Housing Trust since 1999, having originally joined as Finance Director in 1993. During this time Newlon has been a significant developer of new housing, including the affordable housing partner of Arsenal and Tottenham Hotspur football clubs during the regeneration projects creating their new stadiums. Newlon also created the multi-award-winning Hale Village. Prior to joining Newlon, Mike worked for the Housing Corporation in both regulation and funding roles. His career started in local government. An experienced non-executive, he is currently a Trustee of the Tottenham Hotspur Foundation.

**COMMITTEE MEMBERS**



**Gloria Yang | Member of Credit Committee**

Gloria is a fellow of ACCA and currently Executive Director of Finance at Moat Homes Limited, and Chair and Board Member of the Audit and Risk Committee at Phoenix Community Housing. Gloria has held a number of executive, consultancy and non-executive roles in the social housing sector over the last 17 years, including at Origin Housing, Clarion, East Thames, Metropolitan Thames Valley and Wandle.

**MORhomes PLC**  
GOVERNANCE REPORT (continued)

---



**Lisa Pinney | Member of Credit Committee**

Lisa Pinney is currently employed by Trivallis as Executive Director - Resources following her recent long standing position at Pobl Group as Executive Director – Resources. 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 | Member of Credit Committee**

Patrick Minjauw 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.

Prior to joining Clarion, Patrick held various corporate treasury positions in Adecco Group in Zurich, Switzerland, and was credit analyst in a bank in Belgium.

**COMPANY SECRETARIAL**

The Company Secretary is Allia Bond Services Ltd, which was appointed on 22 May 2023 following Andrew Morton’s appointment as Chief Executive Officer. Andrew Morton served as Company Secretary up to the appointment of Allia Bond Services Ltd.

**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

MORhomes PLC  
GOVERNANCE REPORT (continued)


---

SHAREHOLDERS

The following is a list of shareholders (housing association groups) as at the 31 March 2024:

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

Signed on behalf of the Board

Signed by:  
  
EE3F92D9B968463...

Neil John Hadden  
Chair of the Board of Directors

16 July 2024

# Independent auditors' report to the members of MORhomes PLC

## Report on the audit of the financial statements

### Opinion

In our opinion, MORhomes PLC's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit and cash flows 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2024; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Overview

##### Audit scope

- The scope of our audit and the nature, timing and extent of our audit procedures performed were determined by our risk assessment and other qualitative factors.
- We tailored the scope of our audit to ensure that we have performed sufficient work to enable us to opine on the financial statements.
- We identified all material classes of transaction, account balances and disclosures including those that were considered qualitatively material and conducted our work over those accordingly.

##### Key audit matters

- Expected Credit Loss ('ECL') provision for loan assets.



INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MORHOMES PLC (continued)

Materiality

- Overall materiality: £5,298,310 (2023: £5,601,706) based on 1% of total assets.
- Performance materiality: £3,973,733 (2023: £4,201,280.).

**The scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

**Key audit matters**

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Risk of fraud in revenue recognition – Effective Interest Rate (EIR) adjustments, which was a key audit matter last year, is no longer included as the EIR adjustments are not considered to result in material estimation uncertainty in the financial statements. Otherwise, the key audit matters below are consistent with last year.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>Although the balances in relation to the expected credit loss (ECL) provision are not material as at 31 March 2024, determining expected credit losses ('ECL') involves management judgement and is subject to estimation uncertainty. Management makes various assumptions when estimating ECL. The ECL provision may be materially misstated if the judgements or estimates made by the Company are inappropriate. In particular, judgement is required in respect of the probability of default and whether a loan has experienced a significant increase in credit risk. As a result, this represents an area of focus for our audit and has been considered as a key audit matter.</p> <p>Related disclosures in the Financial Statements:                      Note 3 - Use of estimates and assumptions.                      Note 10 - Loan assets.                      Note 15 - Financial instruments.</p>	<p>We have carried out the following procedures in response to this key audit matter:</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the design and implementation of the relevant controls;</li> <li>• Assessed the reasonableness of key methodologies, assumptions and judgements made by management;</li> <li>• Tested the mathematical accuracy of the impairment calculation through the recalculation of the management model;</li> <li>• Performed sensitivity analysis of the ECL provision by flexing the PD, the LGD, including the valuation of the secured properties;</li> <li>• Assessed the performance of the borrowers using the financial statements and the credit ratings report (where available); and</li> <li>• Assessed the reasonableness of the disclosures in the financial statements in accordance with the requirements of IFRS 9 and IFRS 7.</li> </ul> <p>We have no matters to report relating to the above audit procedures performed.</p>

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORHOMES PLC (continued)

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

**The impact of climate risk on our audit**

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Company's financial statements.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall company materiality</i>	£5,298,310 (2023: £5,601,706).
<i>How we determined it</i>	1% of total assets
<i>Rationale for benchmark applied</i>	The Company is established as a not-for-profit entity, funded almost entirely by debt and it is considered that the users focus their attention on the Company's total assets. It is therefore considered appropriate to calculate overall materiality as 1% of total assets.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £3,973,733 (2023: £4,201,280.) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £529,831 (2023: £560,171) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORHOMES PLC (continued)

---

**Conclusions relating to going concern**

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluated the directors' going concern assessment. This sets out why the directors believe that the Company will continue in operational existence for the foreseeable future and why they anticipate that the Company will have adequate funds available to meet its obligation as they fall due;
- Confirmed the cash held at bank at the year-end;
- Performed an assessment to identify factors that could impact the going concern basis of accounting;
- Obtained understanding of management's cash flow forecasts and related stresses and assessing their reasonableness; and
- Assessed the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORHOMES PLC (continued)**

---

**Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

**Responsibilities for the financial statements and the audit****Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect to the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

**Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breaches of the listing requirements of the London Stock Exchange and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Making enquiries with management and those charged with governance including review of minutes of meetings in so far as they related to the financial statements and consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Incorporating an element of unpredictability into our testing;
- Testing journals using a risk-based approach; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORHOMES PLC (continued)

---

- Challenging estimates and judgements made by management in their significant accounting estimates, in particular in relation to the expected credit loss provisions of loans.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

**Companies Act 2006 exception reporting**

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

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jessica Miller (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
16 July 2024

## FINANCIAL STATEMENTS

MORhomes PLC  
STATEMENT OF COMPREHENSIVE INCOME  
Year ended 31 March 2024

---

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Interest income	4	18,041	18,391
Interest expense	4	(17,273)	(17,669)
Net interest income		<u>768</u>	<u>722</u>
Other income		110	248
TOTAL INCOME		<u>878</u>	<u>970</u>
Impairment reversal		-	44
Operating expenses		(937)	(1,143)
NET LOSS		<u>(59)</u>	<u>(129)</u>
Gain on redemption		1,495	-
NET PROFIT/(LOSS) BEFORE TAX		<u>1,436</u>	<u>(129)</u>
Income tax (charge)/credit	8	(359)	32
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR		<u><u>1,077</u></u>	<u><u>(97)</u></u>

All results are from continuing operations.

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

MORhomes PLC  
STATEMENT OF CHANGES IN EQUITY  
Year ended 31 March 2024

	Note	Share capital £'000	Share premium £'000	Contingent convertible notes £'000	Accumulated losses/ retained earnings £'000	Total equity £'000
BALANCE AT 1 APRIL 2022		606	3,177	538	(536)	3,785
Issue of share capital	16	12	108	-	-	120
Issue of contingent convertible notes	14	-	-	4	-	4
COMPREHENSIVE EXPENSE						
Loss for the year		-	-	-	(97)	(97)
TOTAL COMPREHENSIVE EXPENSE		-	-	-	(97)	(97)
BALANCE AT 31 MARCH 2023 AND 1 APRIL 2023		618	3,285	542	(633)	3,812
COMPREHENSIVE INCOME						
Profit for the year		-	-	-	1,077	1,077
TOTAL COMPREHENSIVE INCOME		-	-	-	1,077	1,077
BALANCE AT 31 MARCH 2024		618	3,285	542	444	4,889

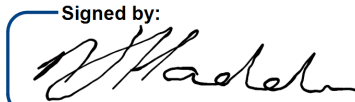
The accompanying notes form an integral part of the financial statements.

**MORhomes PLC**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2024

Company registration number: 10974098

	Note	31 March 2024 £'000	31 March 2023 £'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2	3
Loan assets	10	523,948	556,127
		<u>523,950</u>	<u>556,130</u>
<b>CURRENT ASSETS</b>			
Loan assets	10	2,048	518
Trade and other receivables	11	511	682
Current asset investment		1,252	-
Cash and cash equivalents	12	2,070	2,845
		<u>5,881</u>	<u>4,045</u>
<b>TOTAL ASSETS</b>		<u>529,831</u>	<u>560,175</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	(372)	(952)
Bond liabilities	14	(1,968)	(581)
		<u>(2,340)</u>	<u>(1,533)</u>
<b>NON-CURRENT LIABILITIES</b>			
Bond liabilities	14	(522,602)	(554,830)
		<u>(522,602)</u>	<u>(554,830)</u>
<b>TOTAL LIABILITIES</b>		<u>(524,942)</u>	<u>(556,363)</u>
<b>NET ASSETS</b>		<u>4,889</u>	<u>3,812</u>
<b>EQUITY</b>			
Share capital	16	618	618
Share premium	17	3,285	3,285
Contingent convertible notes	17	542	542
Accumulated profits/(losses)	17	444	(633)
<b>TOTAL EQUITY</b>		<u>4,889</u>	<u>3,812</u>

The financial statements on pages 37 to 62 were approved by the Board of directors and authorised for issue and are signed on its behalf by:

Signed by:  
  
EE3F92D9B968463...  
Neil John Hadden  
Director  
16 July 2024

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



MORhomes PLC  
STATEMENT OF CASH FLOWS  
Year ended 31 March 2024

	Note	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
<b>OPERATING ACTIVITIES</b>			
Net cash flow generated from operating activities	18	16,753	18,135
Interest paid		(17,509)	(18,511)
Loans advanced		-	(18,402)
Proceeds from loan repayments		1,212	-
Net cash (outflow) from operating activities		<u>456</u>	<u>(18,778)</u>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire property, plant and equipment		-	(1)
Gilt investment		(1,210)	
Net cash (outflow) from investing activities		<u>(1,210)</u>	<u>(1)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	120
Proceeds from issue of bonds		-	18,629
Second Secured Debt proceeds		1,389	-
Bond repayments		(1,410)	-
Net cash inflow from financing activities		<u>(21)</u>	<u>18,749</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(775)</u>	<u>(30)</u>
Cash and cash equivalents at beginning of year		2,845	2,875
Cash and cash equivalents at end of year		<u>2,070</u>	<u>2,845</u>

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

## FINANCIAL STATEMENTS NOTES

### 1 ACCOUNTING POLICIES

The financial statements for the year ended 31 March 2024 were authorised by the Board on 16 July 2024. 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 material 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 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 pounds sterling (£) which is the company's functional and presentational currency. 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 profit before taxation for the year of £1,436k (2023: £129k loss), this includes interest income of £18,041k (2023: £18,391k) and interest expense of £17,273k (2023: £17,669k). The company has £444k on the profit and loss reserve (2023: £633k deficit). Cash and cash equivalents amount to £2,070k (2023: £2,845k). The company also had undrawn funding facilities totalling £5,000k (2023: £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's International Securities Market (ISM). At the same time the company issued second secured notes. The bonds and notes mature in February 2038 and February 2051. 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 macroeconomic events, 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 move towards 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

##### *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.

When calculating the effective interest rate, a judgment has been taken to assume that no loans prepay early and incur an early settlement charge. Early settlement charges are recorded separately in the statement of comprehensive income.

1 ACCOUNTING POLICIES (Continued)  
REVENUE (continued)

*Issuance cost recharges*

Issuance cost recharges are costs incurred by the company relating to specific bond issuance. They 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 cost recharges*

Programme cost recharges are costs incurred by the company relating to the company's overall EMTN programme and allocated recharged to borrowers proportionally. They 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.

*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.

*Other income*

Other income 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 year is the tax payable on that year'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 years, 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.

**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. Deferred tax assets are classified within trade and other receivables.

### 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 RECEIVABLES

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

The Company classifies its financial assets at initial recognition in the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the 'SPPI criterion').

Loans are classified at amortised cost on the basis that these meet the SPPI criterion and these are held to collect contractual cash flows over the life.

### 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 expected 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 NOTES

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.

## 1 ACCOUNTING POLICIES (Continued)

### PROPERTY, PLANT AND EQUIPMENT

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

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

Office Equipment	3 - 5 years
------------------	-------------

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 PROPERTY, PLANT AND EQUIPMENT

At the reporting date, the company reviews the carrying amounts of its property, plant and equipment 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.

## 1 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

The Company adopted the amendments to IAS1 effective on 01 January 2023. IFRS 17 effective 01 January 2023 has no impact to the Company. The directors consider there are no other accounting standards expected in the near future which have an impact on the Company.

## 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.

### *Estimates and assumptions*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

### *Impairment*

While it is considered a low risk that the impairment provision will cause a material adjustment to the carrying amounts of the loans, given the size of the loans balance further information is provided on the estimate below:

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 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 0.02% and 0.09% (2023: 0.03% and 0.05%) and loss given default ranging between 20% and 40% (2023: 20% and 40%). These assumptions have been arrived at by using Standard and Poors PD tables and BIS Basel Framework. We have used a loss given default of 20% for all secured borrowers and 40% for those that are unsecured.

A sensitivity analysis has been performed below:

## 3 USE OF ESTIMATES AND ASSUMPTIONS (Continued)

**2024**

Probability default:	ECL Provision £'000	+0.1% PD £'000	-0.1% PD £'000	+10% LGD £'000	-10% LGD £'000
0.02%	3	17	-	4	1
0.04%	18	62	-	27	9
0.05%	20	60	-	30	10
0.09%	5	11	-	8	3
Probability default:	46	150	-	69	23

**2023**

Probability default:	ECL Provision £'000	+0.1% PD £'000	-0.1% PD £'000	+10% LGD £'000	-10% LGD £'000
0.03%	4	19	-	6	2
0.04%	24	84	-	36	12
0.05%	18	54	-	27	9
Probability default:	46	157	-	69	23

*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, as a proxy, is estimated to be 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. When calculating the EIR a judgment has been taken to assume that no loans prepay early and incur an early settlement charge.

While one loan did so in 2023, this was for specific reasons, and given that interest rates have risen since the issuance of all the loans on the books, the likelihood of prepayment is considered low. Income will be recorded as and when it arises if any loans do repay, and the assumption that there will be no early settlements will be kept under review.

## 4 NET INTEREST INCOME

	31 March 2024 £'000	31 March 2023 £'000
<b>Interest income from financial investments</b>		
Loans and advances to customers	17,862	18,318
Interest from banks	179	73
	<u>18,041</u>	<u>18,391</u>



## 4 NET INTEREST INCOME (Continued)

Interest expense:		
Bond liabilities	(17,273)	(17,669)
Total interest expense	<u>(17,273)</u>	<u>(17,669)</u>
Net interest income	<u>768</u>	<u>722</u>

The company has a single segment, with all net interest income being derived from lending to providers of social housing. All interest income recognised is for the services provided in the United Kingdom.

The major customers are made up of 22 Housing Associations entities, from 20 different groups, (2023: 23 Housing Associations entities from 21 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 which are recorded as Other Income.

## 5 PROFIT/LOSS FOR THE YEAR

	31 March 2024 £'000	31 March 2023 £'000
Profit/loss for the year has been arrived at after charging:		
Depreciation on property, plant and equipment	1	2
Staff costs including directors' emoluments (see note 7)	<u>378</u>	<u>543</u>

## 6 AUDITORS' REMUNERATION

	31 March 2024 £'000	31 March 2023 £'000
The analysis of auditors' remuneration is as follows (excluding VAT):		
Fees payable to the company's auditors for:		
- Audit of the company's annual financial statements	137	140
Total audit fees	<u>137</u>	<u>140</u>
Other services:		
All other non-audit services	23	30
Total fees	<u>160</u>	<u>170</u>

## 7a STAFF COSTS AND DIRECTORS' EMOLUMENTS

	31 March 2024 Number	31 March 2023 Number
The average monthly number of employees (including directors) was:		
Directors	7	8
Management and support staff (including key management personnel see note 7c)	2	3
	<u>9</u>	<u>11</u>
Staff costs including directors' emoluments (see 7b)		
	31 March 2024 £'000	31 March 2023 £'000
Wages and salaries	334	473
Social security costs	33	52
Other pension costs	11	18
	<u>378</u>	<u>543</u>

## 7b DIRECTORS' REMUNERATION

	31 March 2024 £'000	31 March 2023 £'000
Short term employee benefits	251	223
National insurance costs	26	22
Pension costs	8	6
	<u>285</u>	<u>251</u>

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

	2024	2023
Position	Pay	Pay
Chair of Board	£22,500	£22,500
Chair of Credit Committee and Senior Independent Director	£17,500	£17,500
Other Committee Chairs	£15,000	£15,000
Board member	£12,000	£12,000
Additional per committee (above 2 committees)	£1,500	£1,500
Committee member only	£4,000	£4,000

7b DIRECTORS' REMUNERATION (Continued)

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

Director	2024					2023
	Salary	Pensions	Incentives (short and long)	Benefits and one-off payments	Total	Total
Andrew Morton	£146,667	£7,333	£0	£0	£154,000	£0
Neil Hadden	£22,500	£0	£0	£0	£22,500	£22,500
Malcolm Cooper	£17,500	£0	£0	£0	£17,500	£17,500
Charles Tilley	£15,000	£0	£0	£0	£15,000	£15,000
Geraldine Howley	£15,000	£0	£0	£0	£15,000	£13,750
Jane Pilcher	£12,000	£0	£0	£0	£12,000	£12,000
Anjila Thomas	£12,000	£0	£0	£0	£12,000	£12,000
Patrick Symington	£9,924	£496	£0	£0	£10,420	£119,093
Rob Young	£0	£0	£0	£0	£0	£6,250
Peter Shorthouse	£0	£0	£0	£0	£0	£5,000

The highest paid director received £146,667 (2023: £119,093). Pension has been provided to two directors during the year amounting to £7,830 (2023: £5,955).

No post-employment benefits have been provided to directors (2023: £Nil).

7c KEY MANAGEMENT PERSONNEL

	31 March 2024 £'000	31 March 2023 £'000
Short term employee benefits	262	363
National insurance costs	27	41
Pension costs	8	13
	297	417

Key management includes those who are responsible for planning, directing and controlling activities of the entity. No post-employment benefits have been provided to key management personnel (2023: £Nil).

8 INCOME TAX CHARGE/(CREDIT)

	31 March 2024 £'000	31 March 2023 £'000
<b>Current tax</b>		
UK corporation tax on profits for the year	359	-
Total current tax	359	-

## 8 INCOME TAX CHARGE/(CREDIT) (Continued)

**Deferred tax**

Origination and reversal of timing differences	-	(32)
Total deferred tax	<u>-</u>	<u>(32)</u>
Total tax charge/(credit)	<u>359</u>	<u>(32)</u>

A reconciliation between tax credit and the product of accounting loss before taxation multiplied by the UK rate of Corporation Tax for the years ended 31 March 2024 and 31 March 2023 is as follows:

	31 March 2024 £'000	31 March 2023 £'000
Profit/(loss) before taxation:		
Continuing operations	1,436	(129)
At UK standard rate of corporation tax of 25% (2023: 19%)	359	(24)
Deferred tax – difference in closing tax rates	-	(8)
Expenses not deductible for tax purposes	-	-
Tax charge/(credit) in the Income Statement	<u>359</u>	<u>(32)</u>
Effective income tax rate	25%	25%

During the year the company has (utilised)/recognised deferred tax assets of £(359,000) (2023: £32,000) 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 2023	10
Additions	-
Disposals	(6)
At 31 March 2024	<u>4</u>
Accumulated depreciation and impairment:	
At 1 April 2023	(7)
Charged in the year	(1)
Disposals	6
At 31 March 2024	<u>(2)</u>
Net book amount:	
At 31 March 2024	2
At 31 March 2023	<u>3</u>

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

10 LOAN ASSETS

	31 March 2024 £'000	31 March 2023 £'000
Loans to Housing Associations	<u>525,996</u>	<u>556,645</u>

The £512,400,000 (2023: £542,400,000) nominal loan balance excluding premium / discount and costs comprises 22 loans to 20 groups (2023: 23 loans to 21 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 £512,400,000 (2023: £542,400,000) of the loans were secured, with security valued at £791,070,000 (2023: £803,212,714) held against them. These securities have been valued at different dates ranging between January 2023 and March 2024 however the management do not expect any significant change in the value of the securities as at the year end.

The fair value of the loans at year end was £299,905,986 (2023: £324,515,876). This calculation has been done using a commercial rate of interest at the reporting date using the gross redemption yield for 2038 and 2051 maturities of bonds. The weighted average of commercial interest rate is 5.66% (2023: 5.57%). The carrying value includes a provision of £45,978 (2023: £46,465) 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.

The weighted average of interest receivable by the company in respect of these loans is 3.58% (2023 3.58%). The loan is made up as follows:

	31 March 2024 £'000	31 March 2023 £'000
Opening balance	556,645	538,867
Payments made during the year	(48,511)	(18,897)
Loan additions	-	18,401
Interest accrued under EIR	17,862	18,318
Impairment charge/(reversal)	-	(44)
Closing balance	<u>525,996</u>	<u>556,645</u>

Accrued interest of £2,048k (2023: 518k) represent the current portion of the loan as shown in current assets.

11 TRADE AND OTHER RECEIVABLES

Trade and other receivables:

	31 March 2024 £'000	31 March 2023 £'000
Trade receivables	-	10
Prepayments and accrued income	463	265
Deferred tax asset	48	407
	<u>511</u>	<u>682</u>

The debtors above include the following non-current amounts:

	31 March 2024 £'000	31 March 2023 £'000
Deferred tax asset	48	407
	<u>48</u>	<u>407</u>

## 11 TRADE AND OTHER RECEIVABLES (Continued)

Deferred tax assets are attributable to the following:

	Assets 31 March 2024 £'000		Assets 31 March 2023 £'000
Tax losses and other deductions	48		407
Tax (liabilities)/assets	<u>48</u>		<u>407</u>
		Recognised in statement of	
	1 April 2023 £'000	comprehensive income £'000	31 March 2024 £'000
Tax losses and other deductions	407	(359)	48
	<u>407</u>	<u>(359)</u>	<u>48</u>

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.

## 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents:

	31 March 2024 £'000		31 March 2023 £'000
Cash at bank	2,070		2,845
Cash and cash equivalents	<u>2,070</u>		<u>2,845</u>

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.

13 TRADE AND OTHER PAYABLES

Trade and other payables:

	31 March 2024 £'000	31 March 2023 £'000
Trade payables	18	57
Accruals	280	780
Other creditors	74	115
	<u>372</u>	<u>952</u>

Trade payables comprise amounts outstanding for trade purchases.

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

14 BOND LIABILITIES

	31 March 2024 £'000	31 March 2023 £'000
European Medium Term Notes	497,522	529,412
Second Secured Notes	21,557	20,210
Contingent Convertible Notes	5,491	5,789
	<u>524,570</u>	<u>555,411</u>

Accrued interest of £1,968k (2023: 581k) represent the current portion of the bond liabilities as shown in the current liabilities.

European Medium Term Notes:

On 4 April 2023 the company repurchased and cancelled £1,700,000 European Medium Term Notes due 2038 secured by a first floating charge on the Issuer's undertaking, property and assets. The price paid was £1,410,375 including discount and accrued interest. The repurchase and cancellation generated a profit of £268,415 which has been included in the results for the year ended 31 March 2024.

On 20 July 2023 a borrower repurchased £30,000,000 nominal value of the Notes early and surrendered them to the company. The company then cancelled £30,000,000 European Medium Term Notes due 2038 secured by a first floating charge on the Issuer's undertaking, property and assets.

Second Secured Notes:

On 4 April 2023 the company issued £1,701,000 5.076% Second Secured Notes due on 5 March 2038 secured by a second floating charge on the Issuer's undertaking, property and assets. The proceeds received were £1,388,763 including discount. Interest on the notes is payable twice a year, on 19 August and 19 February in arrears.

Contingent Convertible Notes:

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 £26,418 has been accrued. Of the total amount issued of £5,892,600 (2023: £6,237,600), £541,739 (2023: £541,739) has been reflected within equity.

## 14 BOND LIABILITIES (Continued)

	31 March 2024 £'000 Fair value	31 March 2023 £'000 Fair value	31 March 2024 £'000 Nominal value	31 March 2023 £'000 Nominal value
European Medium Term Notes	382,832	410,453	486,700	518,400
Second Secured Notes	14,155	21,191	21,696	19,995

The fair value has been calculated using the market value at the reporting date. European Medium Term Notes have a fair value hierarchy of level 1 and Second Secured Notes have a hierarchy level 2.

	31 March 2024 %	31 March 2023 %
The weighted average interest rates paid were:		
European Medium Term Notes	3.057	3.082
Second Secured Notes	4.961	4.809
Contingent Convertible Notes	<u>5.761</u>	<u>5.767</u>

The company produces an unaudited Annual Sustainability Impact report which sets out the impact of funds lent, the most recent of which is released at the same time as this Annual Report covering the impact of all funds lent up until 31 March 2024. The report includes data on key criteria defined in the Sustainability Reporting Standard. A summary of the use of proceeds is shown below:

Impact	ICMA Category	Total £m outstanding (across social and sustainability bond portfolio)	£m allocated over last financial year (from new issuance of social and sustainability bonds)	£m redeemed over last financial year
Social	Affordable Housing	440.1	-	31.7
Social & Environmental	Green Buildings	46.6	-	-

## 15 FINANCIAL INSTRUMENTS

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

	31 March 2024 £'000	31 March 2023 £'000
Financial assets measured at amortised cost		
Loan assets	525,996	556,645
Trade receivables	-	10
Cash and cash equivalents	2,070	2,845
	<u>528,066</u>	<u>559,500</u>
Financial liabilities measured at amortised cost		
Trade payables	18	57
Accruals	280	780
Other creditors	74	115
Borrowings	524,570	555,411
	<u>524,942</u>	<u>556,363</u>



## 15 FINANCIAL INSTRUMENTS (Continued)

*Financial risk management objectives*

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

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

*Interest rate risk*

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The company's principal financial liability comprises secured Sterling bonds. Since the interest rate on the secured bonds and on the loan assets is fixed, the company is not exposed to any significant interest rate risk. Repayment risk is managed by requesting that borrowers make a payment 10 days prior to the repayment that is due by the company. The legal maturity date on the bonds is 2 years after the expected maturity date of the Loans.

*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. Vigilant liquidity risk management requires the entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

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

Financial assets analysed by remaining contractual maturity are as follows:

	Cash and cash equivalents	Loan assets	Trade and other receivables	Total
	£'000	£'000	£'000	£'000
<b>2024</b>				
Less than 1 year	2,070	2,048	-	4,118
1 – 3 years	-	-	-	-
3 – 5 years	-	-	-	-
Over 5 years	-	523,948	-	523,948
Balance at 31 March 2024	2,070	525,996	-	528,066
	Cash and cash equivalents	Loan assets	Trade and other receivables	Total
	£'000	£'000	£'000	£'000
<b>2023</b>				
Less than 1 year	2,845	518	10	3,373
1 – 3 years	-	-	-	-
3 – 5 years	-	-	-	-
Over 5 years	-	556,127	-	556,127
Balance at 31 March 2023	2,845	556,645	10	559,500

## 15 FINANCIAL INSTRUMENTS (Continued)

Financial liabilities analysed by remaining contractual maturity are as follows:

	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
<b>2024</b>			
Less than 1 year	1,968	372	2,340
1 – 3 years	-	-	-
3 – 5 years	-	-	-
Over 5 years	522,602	-	522,602
Balance at 31 March 2024	<u>524,570</u>	<u>372</u>	<u>524,942</u>
	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
<b>2023</b>			
Less than 1 year	581	952	1,533
1 – 3 years	-	-	-
3 – 5 years	-	-	-
Over 5 years	554,830	-	554,830
Balance at 31 March 2023	<u>555,411</u>	<u>952</u>	<u>556,363</u>

Gross undiscounted cash flows analysed by maturity are as follows:

	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
<b>2024</b>			
Less than 1 year	17,520	372	17,892
1 – 3 years	35,040	-	35,040
3 – 5 years	35,040	-	35,040
Over 5 years	688,739	-	688,739
Balance at 31 March 2024	<u>776,339</u>	<u>372</u>	<u>776,711</u>
	Borrowings	Trade and other payables	Total
	£'000	£'000	£'000
<b>2023</b>			
Less than 1 year	18,528	952	19,480
1 – 3 years	37,057	-	37,057
3 – 5 years	37,057	-	37,057
Over 5 years	746,690	-	746,690
Balance at 31 March 2023	<u>839,332</u>	<u>952</u>	<u>840,284</u>

*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 of loans, cash and trade receivables, 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.

15 FINANCIAL INSTRUMENTS (Continued)

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 (2023: 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.

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

	Carrying value <b>2024</b>	Carrying value 2023	Concentration <b>2024</b>	Concentration 2023
Level 1	£19.3m	£19.3m	4%	4%
Level 2	£275.3m	£323.6m	54%	60%
Level 3	£187.8m	£139.5m	36%	26%
Level 4	£30m	£60m	6%	10%
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 financial statements
- 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 (2023: 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.

## 15 FINANCIAL INSTRUMENTS (Continued)

Maximum exposure:	31 March 2024 £'000	31 March 2023 £'000
Financial assets measured at amortised cost:		
Loan assets	525,996	556,645
Trade receivables	-	10
Cash and cash equivalents	2,070	2,845
	<u>528,066</u>	<u>559,500</u>

*Impairment of financial assets*

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

*Impairment of trade receivables*

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

The company considers that the loss rate on all trade receivables is negligible (2023: £Nil)

*Write-off policy*

Receivables and loans 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 and loans 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;

## 15 FINANCIAL INSTRUMENTS (Continued)

- 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 year 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 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 2024	31 March 2023
	%	%
Base case (50% weighting)	(0.4)	(5.7)
Upside (25% weighting)	9.6	4.3
Downside (25% weighting)	(10.4)	(15.7)

*Impairment losses on financial instruments*

Impairment losses comprises:

	31 March 2024	31 March 2023
	£'000	£'000
Impairment reversal on financial assets measured at amortised cost:		
Loan assets	-	(44)

*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	525,996	-	463
Under-performing	-	-	-
Non-performing	-	-	-
Total gross carrying amount at 31 March 2024	525,996	-	463

15 FINANCIAL INSTRUMENTS (Continued)

	Loan assets	Trade receivables	Prepayments and accrued income
	£'000	£'000	£'000
Performance:			
Performing	556,645	10	265
Under-performing	-	-	-
Non-performing	-	-	-
Total gross carrying amount at 31 March 2023	556,645	10	265
	Loan assets	Trade receivables	Prepayments and accrued income
	£'000	£'000	£'000
Probability of default:			
0.02%	69,094	-	-
0.04%	226,268	-	-
0.05%	197,126	-	-
0.09%	33,508	-	463
Total gross carrying amount at 31 March 2024	525,996	-	463
	Loan assets	Trade receivables	Prepayments and accrued income
	£'000	£'000	£'000
Probability of default:			
0.03%	69,067	-	-
0.04%	304,093	-	-
0.05%	183,485	10	265
Total gross carrying amount at 31 March 2023	556,645	10	265

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

Loss allowance based on '12 month expected credit losses'

Loss allowance	Loan assets	Trade receivables	Prepayments and accrued income
	£'000	£'000	£'000
Balance at 1 April 2023	(46)	-	-
Net charge	-	-	-
Balance at 31 March 2024	(46)	-	-

All financial instruments are currently recognised as stage 1 instruments.

16 SHARE CAPITAL

	31 March 2024	31 March 2023
	£'000	£'000
Authorised:		
6,178,000 ordinary shares of £0.10 each (2023: 6,178,000 of £0.10)	618	618
Allotted, issued and fully paid:		
6,178,000 ordinary shares of £0.10 each (2023: 6,178,000 of £0.10)	618	618

## 16 SHARE CAPITAL (Continued)

Movements in ordinary share capital:

	Date	Number of shares	Nominal Value	£'000
Balance brought forward	1 April 2023	6,178,000	£0.10	618
Closing balance	31 March 2024	6,178,000	£0.10	<u>618</u>

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.

*Accumulated losses*

Cumulative profit and loss net of distributions to owners.

## 18 NOTES TO THE STATEMENT OF CASH FLOWS

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
<b>Continuing operations</b>		
Profit/(loss) before tax	1,436	(129)
Adjustments for:		
Depreciation	1	2
Property, plant and equipment disposals	(6)	-
Interest expense	17,273	17,669
Interest income	(18,041)	(18,391)
Impairment expense/(reversal)	-	(44)
Gain on disposal	(1,495)	-
Interest received	18,353	19,059
(Increase) in receivables	(188)	(201)
(Decrease)/increase in payables	(580)	170
Net cash generated from operating activities	<u>16,753</u>	<u>18,135</u>

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

The only related parties are key management personnel. Transactions with key management personnel have been detailed in note 7.