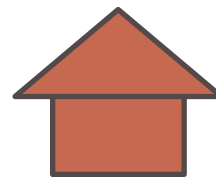


MOR



# **MORhomes PLC**

## **HALF YEARLY FINANCIAL REPORT (UNAUDITED)**

**FOR THE 6 MONTHS ENDED 30  
SEPTEMBER 2024**



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

Company Registration No. 10974098

MORhomes PLC  
CONTENTS PAGE

---

## **Contents**

<b>Officers</b>	<b>2</b>
<b>Interim Board Report</b>	<b>3</b>
<b>Statement of responsibilities</b>	<b>6</b>
<b>Primary Unaudited Statements</b>	
Interim Condensed Statement of Comprehensive Income	<b>7</b>
Interim Condensed Statement of Changes in Equity	<b>8</b>
Interim Condensed Statement of Cash Flow	<b>9</b>
Interim Condensed Statement of Financial Position	<b>10</b>
Notes to the Interim Financial Statements	<b>11</b>

MORhomes PLC  
OFFICERS

---

**DIRECTORS**

M C Cooper (became Chair 1 October 2024)  
N J Hadden (Chair – resigned 30 September 2024)  
M T Hinch  
G L Howley  
A D Morton  
J E Pilcher  
A Thomas

**SECRETARY**

Allia Bond Services Ltd

**REGISTERED OFFICE**

Future Business Centre  
Kings Hedges Road  
Cambridge  
CB4 2HY

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
Chartered Accountants  
7 More London Riverside  
London  
SE1 2RT

MORhomes PLC  
INTERIM MANAGEMENT REPORT

---

## INTERIM BOARD REPORT

### REVIEW OF THE PERIOD

We started the financial year with inflation falling, though still at elevated levels compared to the Bank of England's 2% target rate, and as a consequence with Base Rate at levels not seen for over 15 years. During this half-year, inflation returned to its target rate, at least temporarily, and the Bank of England began to lower Base Rate. Inflation and interest rates have an effect on borrowers. While inflation was nudging double digits, there was a recognition in the sector that it would not be the right thing to do to be increasing social rents in line with the previously-agreed CPI+1% formula. The government therefore applied a rent cap set at 7% for the 2023/24 financial year, returning to the CPI+1% formula for the current financial year. Housing Associations' funding tends to be skewed towards longer-term fixed-rate funding, so the higher level of interest rates is affecting their thinking on future development and stock investment plans. This longer-term impact is as significant as the immediate financial effect on their current business.

As a result of the higher level of interest rates there has been a very significant slowdown in borrowing, and in particular long-term borrowing, by the Housing Association sector as a whole over the past 2 years or so. Many Housing Associations locked in substantial long-term funding when rates were significantly lower. Increases in gilt yields impact significantly on the interest rate MORhomes is able to offer to new borrowers, with a consequent slowdown in MORhomes lending, in common with peers and other long-term lenders. Nevertheless, Housing Association assets are long-term assets which ultimately tend to be matched by long-term funding. As gilt yields stabilised, we started to see some initial signs of recovery in long-term borrowing by the Housing Association sector. The impact of higher interest rates on MORhomes' existing loan portfolio is minimal as borrowing and on-lending is done back-to-back, entirely fixed-rate, with MORhomes taking a small margin.

This half-year has also seen a general election and a resulting change in government. Initial indications are that the new government is giving higher profile to housing, and in its first Budget it has announced a consultation on a new 5-year CPI+1% rent settlement, together with some additional initial grant funding. These are helpful measures for Housing Associations which aid consideration of future development and stock investment plans, though need to be viewed in the round, together with other measures announced in the Budget. An increase in future development and stock investment plans would be expected to lead to an increased need for long-term funding such as that provided by MORhomes.

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 and financial performance through the phasing of development programmes and stock investment plans. In addition, it has reinforced our view of the relative strength of our own borrowers, with the average credit score we apply to borrowers remaining in line with pre-Covid scores, and with all payments continuing to be made by borrowers in advance of our own interest payment date.

In light of the overall depressed market for long-term lending to Housing Associations, we have seen £nil of lending in H1 (2023: £nil). Nevertheless, we are continuing to maintain price competitiveness, while offering many advantages over the competition such as speed to market. We believe this leaves us well-placed for the future. We are seeing an increase in enquiries, with leading indicators of borrowing showing some initial green shoots of recovery, including a new shareholder joining during the half-year.

At the date of approval of these interim financial statements we have outstanding £512.4m of nominal loans (2023: £512.4m) through 22 loans (2023: 22) to 21 different borrowing entities (2023: 21) at 20 different groups (2023: 20). We are also continuing to build our new business pipeline of opportunities, engaging with a wide range of potential borrowers.

The post-tax financial result for the half year was a loss of £51k (2023: £1.043m profit). This difference with prior year principally reflects the absence of the one-off profits seen in prior year. Notwithstanding the reduction in aggregate loan balances during H1 2023, net interest income remained fairly stable compared to prior year, at £371k (2023: £374k), aided by interest earned on cash balances. By raising debt and on-lending at an interest rate that includes an intermediation fee we are establishing a regular source of income for the life of the bonds which have a minimum of over 13 years remaining, and this will increase as we increase our loan book.

**MORhomes PLC**  
**INTERIM MANAGEMENT REPORT**

MORhomes’ financial structure means that we have established a strong financial position. As at September 2024 shareholders’ funds were £4.8m (2023: £4.9m). The Company also benefits from £5.5m (2023: £5.5m) of contingent convertible loans provided by borrowers which are classified as liabilities but which convert to equity under certain circumstances. In combination, this provides stronger equity as a percentage of loans than our sector peers.

The liquidity position remains strong with £3.2m across cash and gilts at the end of the period (2023: £3.3m). Bond and other interest liabilities are matched by corresponding interest due from borrowers. Standby liquidity facilities of £5m (2023: £10m) are in place and undrawn which represents substantially more than our policy of having enough liquidity to cover a year’s interest on our top 3 loans. In combination this provides stronger liquidity than our sector peers.

At the end of the half-year, Neil Hadden, who had been Chair of MORhomes since its formation, retired having reached the end of his term. The Board would like to place on record its thanks to Neil for his unstinting efforts in creating a credible provider of long-term funding for Housing Associations which has brought genuine innovation to the market and has successfully challenged the large incumbent providers, building a loan book of over £0.5bn in the process. Malcolm Cooper, who was previously the Senior Independent Director, was considered by the Board to have all the necessary skills and experience to take over from Neil as Chair, and was duly appointed. Geraldine Howley has replaced Malcolm as Senior Independent Director.

Looking forwards, the priority for H2 is to continue to market the business proactively, with the aim of growing lending volume.

**RISK MANAGEMENT AND PRINCIPAL RISKS**

The Board has established an effective framework of risk management, details of which were set out in the March 2024 Report and Financial Statements.

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

Principal risks to achievement of strategy	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 formula / cap and inflation, as well as issues such as damp and mould and RAAC; regular engagement with the Regulator of Social Housing; capital structure to withstand losses.
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; tight cost control including reduced Board size; contingency plans to ensure that costs can be met from assured income
Operational risks including control over cash and payments and meeting bond obligations	Operating manual defining all key controls and relevant procedures in place; accounting functions outsourced to reputable firm (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 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%

MORhomes PLC  
 INTERIM MANAGEMENT REPORT

	of loans made, retained from bond proceeds; (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	Board monitors the operating environment proactively and there is regular engagement with borrowers. Principal risks typically relate to the impact on borrower credit risk, which is monitored via our credit assessments, with an overall stable picture experienced.

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

RELATED PARTY TRANSACTIONS

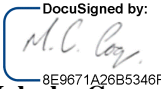
The related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period are shown in note 4 to the financial statements.

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

POST BALANCE SHEET EVENTS

In December 2024 S&P affirmed MORhomes’ credit rating as A-, citing the “relatively strong creditworthiness of MORhomes’ borrowers”, with the outlook continuing as negative.

Signed on behalf of the Board

DocuSigned by:  
  
 8E9671A26B5346F...  
**Malcolm Cooper**  
 Chair

11<sup>th</sup> December 2024

MORhomes PLC  
STATEMENT OF RESPONSIBILITIES

---

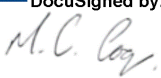
## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM MANAGEMENT REPORT AND THE FINANCIAL STATEMENTS

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

We confirm that to the best of our knowledge:

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

Signed on behalf of the Board

DocuSigned by:  
  
8E9671A26B5346F...

**Malcolm Cooper**  
Chair

11<sup>th</sup> December 2024

MORhomes PLC  
 INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
 Period ended 30 September 2024

	Note	6 months ended 30 September 2024 (unaudited) £'000	6 months ended 30 September 2023 (unaudited) £'000	Year ended 31 March 2024 (audited) £'000
Interest income		8,841	9,173	18,041
Interest expense		(8,470)	(8,799)	(17,273)
Net interest income		<u>371</u>	<u>374</u>	<u>768</u>
Other income		32	68	110
TOTAL INCOME		<u>403</u>	<u>442</u>	<u>878</u>
Impairment reversal/(expense)		2	-	-
Operating expenses		(466)	(484)	(937)
NET PROFIT/(LOSS)		<u>(61)</u>	<u>(42)</u>	<u>(59)</u>
Gain on redemption		-	1,433	1,495
(Loss) on revaluation		(7)	-	-
NET PROFIT/(LOSS) BEFORE TAX		<u>(68)</u>	<u>1,391</u>	<u>1,436</u>
Income tax credit/(charge)		17	(348)	(359)
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		<u><u>(51)</u></u>	<u><u>1,043</u></u>	<u><u>1,077</u></u>



MORhomes PLC  
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY  
Period ended 30 September 2024

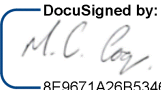
	Note	Share capital £'000	Share Premium £'000	Contingent convertible notes £'000	Accumulated losses/ retained earnings £'000	Total equity £'000
BALANCE AT 1 APRIL 2024 (audited)		618	3,285	542	444	4,889
Shares issued in year		-	5	-	-	5
Issue of contingent convertible notes		-	-	-	-	-
Profit for the period		-	-	-	(51)	(51)
<b>BALANCE AS AT 30 SEPTEMBER 2024 (unaudited)</b>		<b>618</b>	<b>3,290</b>	<b>542</b>	<b>393</b>	<b>4,843</b>
BALANCE AS AT 1 APRIL 2023 (audited)		618	3,285	542	(633)	3,812
Shares issued in year		-	-	-	-	-
Issue of contingent convertible notes		-	-	-	-	-
Loss for the period		-	-	-	1,043	1,043
<b>BALANCE AS AT 30 SEPTEMBER 2023 (unaudited)</b>		<b>618</b>	<b>3,285</b>	<b>542</b>	<b>410</b>	<b>4,855</b>
BALANCE AS AT 1 APRIL 2023 (audited)		618	3,285	542	(633)	3,812
Profit for the year		-	-	-	1,077	1,077
<b>BALANCE AS AT 31 MARCH 2024 (audited)</b>		<b>618</b>	<b>3,285</b>	<b>542</b>	<b>444</b>	<b>4,889</b>

MORhomes PLC  
INTERIM CONDENSED STATEMENT OF CASH FLOW  
Period ended 30 September 2024

	Note	Six months ended 30 September 2024  (unaudited)  £'000	Six months ended 30 September 2023  (unaudited)  £'000	Year ended 31 March 2024  (audited)  £'000
<b>OPERATING ACTIVITIES</b>				
Net cash flow generated from operating activities	5	8,669	8,001	16,753
Interest paid		(8,759)	(8,747)	(17,509)
Loans advanced		-	-	-
Proceeds from loan repayments		-	1,212	1,212
Net cash in operating activities		(90)	466	456
<b>INVESTING ACTIVITIES</b>				
Payments to acquire property, plant and equipment		-	-	-
Gilt investment		-	(1,210)	(1,210)
Net cash (outflow) from investing activities		-	(1,210)	(1,210)
<b>FINANCING ACTIVITIES</b>				
Proceeds from issue of shares		5	-	-
Proceeds from issue of bonds		-	-	-
Second Secured Debt proceeds		-	1,389	1,389
Bond repayments		-	(1,410)	(1,410)
Net cash inflow from financing activities		5	(21)	(21)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		(85)	(765)	(775)
Cash and cash equivalents at beginning of period		2,070	2,845	2,845
Cash and cash equivalents at end of period		1,985	2,080	2,070

**MORhomes PLC**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
 Period ended 30 September 2024

	Note	30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000	31 March 2024 (audited) £'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		1	2	2
Loan assets		523,535	525,846	523,948
		<u>523,536</u>	<u>525,848</u>	<u>523,950</u>
<b>CURRENT ASSETS</b>				
Loan assets		2,097	501	2,048
Trade and other receivables		577	395	511
Current asset investment		1,245	1,187	1,252
Cash and cash equivalents		1,985	2,080	2,070
		<u>5,904</u>	<u>4,163</u>	<u>5,881</u>
<b>TOTAL ASSETS</b>	3	<u>529,440</u>	<u>530,011</u>	<u>529,831</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		(315)	(297)	(372)
Bond Liabilities		(2,016)	(633)	(1,968)
		<u>(2,331)</u>	<u>(930)</u>	<u>(2,340)</u>
<b>NON-CURRENT LIABILITIES</b>				
Bond liabilities		(522,266)	(524,226)	(522,602)
		<u>(522,266)</u>	<u>(524,226)</u>	<u>(522,602)</u>
<b>TOTAL LIABILITIES</b>	3	<u>(524,597)</u>	<u>(525,156)</u>	<u>(524,942)</u>
<b>NET ASSETS</b>		<u>4,843</u>	<u>4,855</u>	<u>4,889</u>
<b>EQUITY</b>				
Share capital		618	618	618
Share premium		3,290	3,285	3,285
Contingent convertible notes		542	542	542
Accumulated profits/(losses)		393	410	444
<b>TOTAL EQUITY</b>		<u>4,843</u>	<u>4,855</u>	<u>4,889</u>

DocuSigned by:  
  
 8E9671A26B5346F...  
 Malcolm Cooper  
 Chair

11<sup>th</sup> December 2024

DocuSigned by:  
  
 FAB4DC5B3A54412...  
 Andrew Morton  
 Chief Executive Officer

11<sup>th</sup> December 2024

MORhomes PLC  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
Period ended 30 September 2024

---

1. The financial statements and the half-yearly financial report have not been audited

2. BASIS OF PREPERATION & STATUTORY ACCOUNTS

*Basis of preparation*

The interim condensed financial statements for the six months ended 30 September 2023 have been prepared using accounting policies consistent with IFRS as adopted by the European Union. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2024. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the company's annual financial statements for the year ended 31 March 2024.

The financial statements have been prepared under the historical cost convention.

The condensed set of interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

*Statutory accounts*

The financial information for the six months ended 30 September 2024 and 30 September 2023 is unaudited and has not been subject to review in accordance with International Standards on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

*Going Concern*

The company has made a loss before taxation for the period of £68k (2023: £1,391k profit), this includes interest income of £8,841k (2023: £9,173k) and interest expense of £8,470k (2023: £8,799k). The company has a surplus on the profit and loss reserve of £392k (2023: £410k). Cash and cash equivalents amount to £1,985 (2023: £2,080k). 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. At the same time the company issued second secured notes. The bonds and notes mature in February 2038. No repayments of capital fall due before the maturity date. The funds raised were on-lent to housing associations who provided further equity and contingent convertible loans at the same time.

The directors have carried out a review of the company's ability to continue in operation for the foreseeable future. There is regular and proactive monitoring of borrowers' financial position including levels of liquidity. In addition, the Board believes that it is in a good position to continue to grow the business with further new loans supported by new bond issuance and increase its profitability as it wins new business. The company has in place sufficient capital and liquidity facilities. 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.

MORhomes PLC  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
Period ended 30 September 2024

### 3. ASSETS AND LIABILITIES

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

	30 September 2024 (unaudited) £'000	30 September 2023 (unaudited) £'000	31 March 2024 (audited) £'000
<b>ASSETS</b>			
Property, plant and equipment	1	2	2
Loan assets	525,632	526,347	525,996
Trade receivables	2	-	-
Other debtors	-	-	-
Prepayments and accrued income	510	336	463
Deferred tax asset	65	59	48
Current asset investment	1,245	1,187	1,252
Cash and cash equivalents	1,985	2,080	2,070
	<u>529,440</u>	<u>530,011</u>	<u>529,831</u>
<b>LIABILITIES</b>			
Trade payables	31	20	18
Accruals	200	199	280
Other creditors	84	78	74
Bond Liabilities	524,282	524,859	524,570
	<u>524,597</u>	<u>525,156</u>	<u>524,942</u>

The company has a contingent requirement for an early repayment of nominal value £1,153,846 Second Secured Debt, with cash amount equivalent to the value of the current asset investment held on the balance sheet. This would become payable if the company is unable to use the Second Secured Debt by extending further loans before 20 January 2025.

#### ***Credit risk***

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

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

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

The primary credit risk relates to Housing Associations which have amounts due outside of their credit terms. The risk is mitigated by security against the Housing Association's assets. Housing Associations are given up to 12 months (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.

**MORhomes PLC**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
 Period ended 30 September 2024

**3. ASSETS AND LIABILITIES (continued)**

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

	Nominal Value Sept 2024 (Unaudited)	Nominal Value Sept 2023 (Unaudited)	Nominal Value March 2024 (audited)	Concentration Sept 2024 (Unaudited)	Concentration Sept 2023 (Unaudited)	Concentration March 2024 (audited)
Level 1	£19.3m	£19.3m	£19.3m	4%	4%	4%
Level 2	£329.2m	£315.3m	£275.3m	64%	61%	54%
Level 3	£163.9m	£147.8m	£187.8m	32%	29%	36%
Level 4	£Nil	£30m	£30m	0%	6%	6%
Level 5	£Nil	£Nil	£Nil	0%	0%	0%

**4. RELATED PARTY TRANSACTIONS**

The only related parties are key management personnel. Transactions with key management personnel have been detailed in the audited financial statements.

**5. NOTES TO THE STATEMENT OF CASH FLOWS**

	Six months ended 30 September 2024 (unaudited) £'000	Six months ended 30 September 2023 (unaudited) £'000	Year ended 31 March 2024 (audited) £'000
<b>Continuing operations</b>			
(Loss)/profit before tax	(68)	1,391	1,436
Adjustments for:			
Depreciation	1	1	1
Property, plant and equipment disposals	-	-	(6)
Interest expense	8,470	8,799	17,273
Interest income	(8,841)	(9,173)	(18,041)
Impairment reversal	(2)	-	-
Loss/(gain) on disposal	7	(1,434)	(1,495)
Interest received	9,208	9,133	18,353
Increase in receivables	(49)	(61)	(188)
Decrease in payables	(57)	(655)	(580)
Net cash generated from operating activities	<u>8,669</u>	<u>8,001</u>	<u>16,753</u>