



# Moat Homes Finance PLC Financial Statements

For the year ended 31 March 2020

# MOAT HOMES FINANCE PLC

## CONTENTS

	<b>Page</b>
Directors, registered office and advisors	2
Strategic report	3
Directors' report	4
Independent auditor's report to the members of Moat Homes Finance Plc	6
Profit and loss account and Statement of total comprehensive income	11
Balance sheet and Statement of changes in equity	12
Notes to the financial statements	13

**MOAT HOMES FINANCE PLC  
DIRECTORS, REGISTERED OFFICE AND ADVISORS**

**Directors:** Hazel Sharp  
Greg Taylor

**Secretary:** Matthew Hayday

**Registered office**

Mariner House  
Galleon Boulevard  
Crossways  
Dartford  
Kent  
DA2 6QE

**Registered auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Bankers**

Royal Bank of Scotland Plc  
Europa House  
49 Sandgate Road  
Folkestone  
Kent  
CT20 1RU

**Legal status**

Registered under the Companies Act 2006 No. 07743490

# MOAT HOMES FINANCE PLC

## STRATEGIC REPORT

for the year ended 31 March 2020

Moat Homes Finance Plc (MHF) is a wholly owned subsidiary of Moat Homes Limited (MHL). MHF obtains finance directly from capital markets and on-lends to MHL. MHL is a charitable registered provider of social housing.

### Business review

MHF issued the original £150m, 5% 2041, secured bond in 2011 when £100m was sold to investors, and the remaining £50m was sold during 2013/14. The bond was tapped by the issue of a further £150m in November 2019, of which £50m was retained for future sale. The finance raised has been lent to MHL under a secured loan agreement.

The profit and loss account shows a result of £nil for the year (2019: £nil). This is in line with the company's role as a special purpose lending vehicle which does not seek to generate financial returns. The impact of the discount, premium and the bond issuance costs have been passed through to MHL. At 31 March 2020 the net assets of the company were £50k (2019: £50k).

### Key performance indicators

MHF's main performance indicator is meeting the asset cover requirements of the bond. The bond is secured by first fixed charges over housing properties, valued at market value subject to tenancy. The properties charged are owned by MHL and under a Security Trust Deed provide the security for the intercompany loan and the Bond. An annual valuation is carried out to ensure the asset cover ratio is met.

	Target	2020	2019
Asset cover	<u>&gt; 115%</u>	<u>126%</u>	<u>144%</u>

The fall in the asset cover follows the adding of security to meet the additional requirements arising from the bond tap that was issued during the year and overall achieves a more efficient use of security.

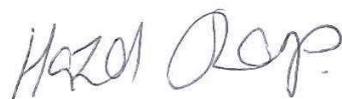
### Principal risks and uncertainties

As MHF on-lends to MHL, the main risk facing MHF is that MHL will be unable to make its interest or principal payments when they fall due. The risk is mitigated by:

- The on-lent funding to MHL is under a secured loan agreement, which is backed by housing assets of MHL. If there are any payments which are not made to MHF, then it has the right to enforce the security under the loan.
- The financial strength of MHL. MHL's 30-year long-term plan has been updated in June 2020, including a forecast of the impact of COVID-19. The plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The plan has been subjected to a series of stress tests. If there is a stress event at any point, MHL can continue to trade for a minimum of 3 years which would allow time to switch off its development programme. MHL has a Moody's rating of A2.

Qualifying third party indemnity provisions exist for the benefit of Directors of MHF.

By order of the Board



**Hazel Sharp**  
Director  
Mariner House, Galleon Boulevard, Crossways, Dartford, Kent DA2 6QE

24 July 2020

# **MOAT HOMES FINANCE PLC**

## **DIRECTORS' REPORT**

for the year ended 31 March 2020

The Directors present the Directors' report and financial statements for Moat Homes Finance Plc (MHF) for the year ended 31 March 2020.

### **Principal activities**

MHF is a special purpose funding vehicle, which is used to secure funding for the Moat Group (Moat). Future development and principal risks and uncertainties are discussed in the Strategic report.

### **Proposed dividend**

The Directors do not recommend the payment of a dividend (2019: £nil).

### **Post year end review**

The impact of COVID-19 has been discussed throughout these financial statements. There have been no other events since the financial year end that require disclosure.

### **Going concern**

The Board has approved the budget for 2020/21 and its long-term plan to continue to act as a special purpose vehicle raising finance on behalf of Moat. As MHF's main risk is the inability of MHL to make interest and principal payments when they fall due, the Board has reviewed MHL's 30-year long-term financial plan which incorporates a reforecast of the 2020/21 figures for the impact of COVID-19 and has been stress tested. The plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. As a result, the Board has a reasonable expectation that MHF has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in the financial statements.

### **Employees**

MHF does not employ any staff (2019: nil).

### **Internal controls**

The Directors have responsibility for the system of internal controls operational in MHF. As part of Moat, they have established a system of controls designed to mitigate or manage the major risks that might prevent MHF from achieving its business objectives.

The Directors recognise that no system of internal control can provide absolute assurance against material misstatement, loss or eliminate all risk of failure to achieve business objectives. The system of internal control provides reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of our assets and interests. The system is designed to identify and manage key risks and to provide reasonable assurance that planned business objectives and outcomes can be achieved. A programme of risk management has been established covering financial risks, compliance risks, and operational and strategic risks. Further disclosures of financial risk management are included in note 10.

The key features of the system of internal controls are:

- Sound governance arrangements to ensure adherence to Moat's governing instruments and the proper conduct of Moat's business; delegation of authority reflected in approved Standing Orders.
- A system of budgetary controls.
- A range of anti-fraud and anti-bribery measures designed to prevent and detect fraud and to respond effectively to allegations of fraud.
- Controls over the processing and reporting of financial transactions.
- Recruitment and staff management policies and procedures aimed at ensuring the integrity and effectiveness of Moat staff.
- IT system security and control.

The Directors have reviewed the system of internal controls for the year ended 31 March 2020 and have received sufficient assurance on the adequacy of controls in the year under review. There has been no major breach within the year and up to the date of signing the financial statements that requires disclosure.

**MOAT HOMES FINANCE PLC**  
**DIRECTORS' REPORT (continued)**  
for the year ended 31 March 2020

**Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

**Statement of confirmation**

The Board confirms that it considers that the Strategic report, Directors' report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the company's performance, business model and strategy.

**Disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

By order of the Board



**Hazel Sharp**  
**Director**  
**Mariner House, Galleon Boulevard, Crossways, Dartford, Kent DA2 6QE**

**24 July 2020**

# INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC

## Opinion

We have audited the financial statements of Moat Homes Finance Plc (the 'company') for the year ended 31 March 2020, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the result for the year then ended
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed and public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR’S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)

Key audit matter	Our response to the key audit matter
<b>Going Concern</b>	
<p>As disclosed in note 1, following the outbreak of COVID-19, and the resultant impact on the overall economy, management has considered the appropriateness of the going concern basis of preparation for the company. In making this assessment management has also considered the going concern basis preparation for the group with future income and the recovery of the company’s current and long term assets dependent on the wider performance of the group.</p> <p>The directors’ assessment of going concern involves a number of subjective judgements, including activities which have been impacted by the current COVID-19 pandemic. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved and to ensure the adequacy of the disclosure in the accounting policy in relation to the steps undertaken by the board to gain assurance that there is not a material uncertainty around the adoption of the going concern basis of preparing the financial statements. Therefore this area was identified as a Key Audit Matter.</p>	<p>Our audit response involved the following:</p> <ul style="list-style-type: none"> <li>Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high level understanding of the entity’s market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.</li> <li>Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business.</li> <li>Obtaining and assessing the contractual repayment terms attached to amounts due from the group and the company’s financial liabilities.</li> </ul> <p>Given the nature of the commercial relationship with other group entities, notably Moat Homes Limited, our response has also specifically considered the following relating to the group:</p> <ul style="list-style-type: none"> <li>Consideration of the financial position of the group, including compliance with financial covenant calculations through to March 2022 and the availability of financing facilities, including repayment terms, through to March 2022.</li> <li>Consideration of the appropriateness of scenarios modelled by management, their assumptions applied in relation to COVID-19 and outcomes from both single and multi-variable events.</li> </ul> <p>We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.</p> <p><i>Key observations:</i></p> <p>Our key observations are set out in the conclusions related to going concern section of our audit report.</p>

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £2.9m (2019 – £75,000), which represents 1.0% of total assets (2019 – 1.0% of turnover). We also apply a specific materiality level for all items relating to operating performance. The specific materiality level that we applied was £89,000 which is 1.0% of turnover (2019 – Not applied).

We consider total assets to be a key indicator for members of the company in assessing the financial position of the company, with turnover relevant where members are assessing the operating performance of the company. As a result, total assets and turnover are the chosen benchmarks for materiality and specific materiality.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)**

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2019 – 71%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £55,000 (2019 - £1,500), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### **An overview of the scope of our audit**

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 accounting processes and controls, the complexity of operations and the degree of estimation and judgement in the financial results.

### **Extent to which the audit is capable of detecting irregularities**

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We considered the company's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006.

We designed audit procedures at company and significant component level to respond to the risk, recognising that 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 tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the Board and of management and enquiries of third parties, where information from that third party has been used by the company in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's 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 auditor's 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.

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

### **Other matters on which we are required to report**

We were appointed by the directors on 20 January 2017 to audit the financial statements for the period ending 31 March 2017 and subsequent financial years. The period of total uninterrupted engagement is four years, covering the years ending 31 March 2017 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the directors.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)**

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Philip Cliftlands, Senior Statutory Auditor  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date 5 August 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**MOAT HOMES FINANCE PLC**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 March 2020

	<b>Notes</b>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Turnover	3	8,879	7,458
Operating expenses		-	-
Operating profit		<u>8,879</u>	<u>7,458</u>
Interest payable	6	(8,879)	(7,458)
Profit on ordinary activities before taxation	4	-	-
Taxation		-	-
Profit for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

**STATEMENT OF TOTAL COMPREHENSIVE INCOME**

	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Total comprehensive income	<u><u>-</u></u>	<u><u>-</u></u>

All amounts relate to continuing activities.

There were no recognised profits or losses in the year other than those shown above.

**MOAT HOMES FINANCE PLC**  
**BALANCE SHEET**  
as at 31 March 2020

	Notes	2020 £000	2019 £000
<b>Current assets</b>			
Debtors	7	1,780	266
Debtors falling due in more than one year	7	289,144	151,523
Cash at bank and in hand		644	13
		<u>291,568</u>	<u>151,802</u>
Creditors: amounts due within one year	8	<u>(1,742)</u>	<u>(229)</u>
<b>Total assets less current liabilities</b>		289,826	151,573
Creditors: amounts due after more than one year	9	<u>(289,776)</u>	<u>(151,523)</u>
<b>Net assets</b>		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Share capital	11	50	50
Reserves		<u>-</u>	<u>-</u>
<b>Equity shareholders' funds</b>		<u>50</u>	<u>50</u>

**STATEMENT OF CHANGES IN EQUITY**

	2020 £000	2019 £000
As at 1 April	50	50
Profit for the year	<u>-</u>	<u>-</u>
As at 31 March	<u>50</u>	<u>50</u>

The financial statements were approved by the Board on 24 July 2020 and signed on its behalf by:



**Hazel Sharp**  
**Director**



**Greg Taylor**  
**Director**

**Registered Number: 07743490**

# **MOAT HOMES FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 March 2020

### **1. PRINCIPAL ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom.

The financial statements have been presented in pounds Sterling (£000s).

#### **Disclosure exemptions**

Under FRS 102 the company has taken advantage of reduced disclosures for subsidiaries and has not prepared a statement of cash flows as its parent MHL consolidates MHF in its own financial statements.

#### **Going concern**

The Board has approved the budget for 2020/21 and its long-term plan to continue to act as a special purpose vehicle raising finance on behalf of Moat. As MHF's main risk is the inability of MHL to make interest and principal payments when they fall due, the Board has reviewed MHL's 30-year long-term financial plan which incorporates a reforecast of the 2020/21 figures for the impact of COVID-19 and has been stress tested. The plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. As a result, the Board has a reasonable expectation that MHF has adequate resources to continue in operational existence for the foreseeable future. It therefore continues to adopt the going concern basis in the financial statements.

#### **Turnover**

Turnover represents income receivable from MHL in relation to the on-lending of the finance raised which is recognised on an accruals basis as it falls due.

#### **Financial instruments**

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

#### **Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Any losses arising from impairment are recognised in the profit and loss account in other operating expenses.

#### **Interest-bearing borrowings classified as basic financial instruments**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

#### **Impairment of financial assets**

Financial assets not carried at fair value are assessed for indicators of impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment losses are recognised in the profit and loss account.

#### **Bond issuing costs**

All the company's costs related to providing funding services are billed to MHL which includes bond issuing costs. In MHL, the costs are deferred and written off to the profit for the year over the expected life of the bond.

**MOAT HOMES FINANCE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2020

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Taxation**

The charge for taxation is based on the profit or loss for the financial year and takes into account taxation deferred. Deferred taxation on differences between the treatment of certain items for accounting and taxation purposes is accounted for to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

**VAT**

MHF is a member of the registered Moat VAT group. A large proportion of Moat's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the profit and loss account.

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of MHF's accounting policies, which are described in note 1, the Directors may be required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. There are no judgements or estimates which require disclosure.

**3. TURNOVER**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Income from group entity	<u>8,879</u>	<u>7,458</u>

All of the income is received from MHL relating to the on-lending of the finance raised via the Bond.

**4. PROFIT AND LOSS ACCOUNT**

During the year, the company recharged interest paid on loans, discount and premium to MHL. Audit and tax fees for MHF are paid on its behalf by MHL. Consequently, during the year the company made neither a profit nor a loss.

**5. DIRECTORS' EMOLUMENTS**

The company does not have any employees. The Directors are employed by MHL. They do not receive remuneration for their duties as Directors of MHF. Any employment costs are retained by MHL and disclosed as appropriate.

**6. INTEREST PAYABLE**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Interest payable on the bond	<u>8,879</u>	<u>7,458</u>

Interest is payable and receivable six monthly and is collected and paid on the same day.

**MOAT HOMES FINANCE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2020

**7. DEBTORS**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Due from other group entities	1,780	266
Long term debtors:		
Due from other group entities	<u>289,144</u>	<u>151,523</u>
	<u><u>290,924</u></u>	<u><u>151,789</u></u>

**8. CREDITORS – amounts due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Premium on issue of bond	1,489	78
Discount on issue of bond	(36)	(34)
Other creditors are interest payable and similar charges	<u>289</u>	<u>185</u>
	<u><u>1,742</u></u>	<u><u>229</u></u>

**9. CREDITORS – amounts due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
30 year Fixed rate Bond	250,000	150,000
Premium on issue of bond	41,085	2,868
Discount on issue of bond	<u>(1,309)</u>	<u>(1,345)</u>
	<u><u>289,776</u></u>	<u><u>151,523</u></u>

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Loans are repayable, otherwise than by instalments as follows		
In five years or more	<u><u>250,000</u></u>	<u><u>150,000</u></u>

The 30-year bond is repayable on maturity on 23 September 2041. Interest is payable at 5%.

The loan to MHL has the same maturity and is repayable to MHF on 23 September 2041.

The set-up costs, discount and premium on issue are passed through to MHL.

**MOAT HOMES FINANCE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2020

**10. FINANCIAL INSTRUMENTS**

The carrying value of financial assets and liabilities are summarised by category below:

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Financial assets</b>		
<b>Measured at amortised cost:</b>		
Loan to MHL ( <i>note 7</i> )	289,144	151,523
<b>Measured at undiscounted amount receivable:</b>		
Income receivable from MHL re loan ( <i>note 7</i> )	1,743	229
Other debtor ( <i>note 7</i> )	37	37
	<u>290,924</u>	<u>151,789</u>
<b>Financial liabilities</b>		
Bond, premium and discount ( <i>notes 8 and 9</i> )	291,229	151,567
<b>Measured at undiscounted amount payable:</b>		
Interest payable ( <i>note 8</i> )	289	185
	<u>291,518</u>	<u>151,752</u>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Income and expense in relation to financial instruments</b>		
Total income for financial assets at amortised cost	<u>8,879</u>	<u>7,458</u>
Total interest expense for financial liabilities at amortised cost	<u>(8,879)</u>	<u>(7,458)</u>

There is one class of financial instrument as all of the financial assets and liabilities relate to the Bond issue and the on-lending of the funds at the same rates.

**Risk Management Objectives and Policies**

Moat's treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed by the Group's Board and the Group's Finance Committee which is responsible for the treasury issues in all of Moat's legal entities which include MHF. The treasury function does not operate as a profit centre.

**Market Risk**

**Interest Rate Risk/Hedging**

The company currently borrows funds on a fixed rate basis from the capital markets and then on-lends these to MHL at the same fixed rate. As such the company does not bear any interest rate risk, apart from the underlying credit risk with MHL, which is discussed below. The company does not undertake any hedging activities and it does not have any derivatives.

**Currency Risk**

There is no currency risk as the bond is issued in Sterling.

**MOAT HOMES FINANCE PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2020

**10. FINANCIAL INSTRUMENTS (continued)**

**Liquidity and Credit Risks/Uncertainties**

As MHF on-lends to MHL, the main risk facing MHF is that MHL will be unable to make its interest or principal payments when they fall due. The risk is mitigated by:

- The on-lent funding to MHL is under a secured loan agreement, which is backed by housing assets of MHL. If there are any payments which are not made to MHF, then it has the right to enforce the security under the loan.
- The financial strength of MHL. MHL's 30-year long-term plan has been updated in June 2020, including a forecast of the impact of COVID-19. The plan shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The plan has been subjected to a series of stress tests. If there is a stress event at any point, MHL can continue to trade for a minimum of 3 years which would allow time to switch off its development programme. MHL has a Moody's rating of A2.

**11. CALLED-UP SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Allotted and issued ordinary shares of £1 each:		
As at 1 April and 31 March	<u>50</u>	<u>50</u>
Amount paid up at 25p per share:		
As at 1 April and 31 March	<u>13</u>	<u>13</u>

MHF's capital comprises its share capital. No further capital is required as interest is received and paid on the same day and operating costs (e.g. audit fees and bank charges) are paid by MHL.

**12. RELATED PARTY TRANSACTIONS**

Intra-group transactions are not required to be disclosed under FRS 102 as MHF is a wholly owned subsidiary. All intra-group transactions have taken place in the normal course of business and are shown in the relevant notes to the financial statements. There are no other related party transactions requiring disclosure.

**13. GROUP STRUCTURE**

Moat Homes Finance Plc is a subsidiary undertaking of Moat Homes Limited. The results of the company have therefore been consolidated within the parent financial statements, which are available on request from:

**The Company Secretary,  
Moat Homes Limited  
Mariner House  
Galleon Boulevard  
Crossways  
Dartford  
Kent  
DA2 6QE**

**14. LEGISLATIVE PROVISIONS**

Moat Homes Finance Plc is incorporated under the Companies Act 2006.