



Moat Homes Finance PLC Financial Statements

For the year ended 31 March 2021

MOAT HOMES FINANCE PLC

CONTENTS

	Page
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

National Westminster Bank 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 2021

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 remaining £50m was sold post year end in April 2021 at a premium of £23.8m.

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 (2020: £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 2021 the net assets of the company were £50k (2020: £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 and shows an increase in the year.

	Target	2021	2020
Asset cover	<u>> 115%</u>	<u>131%</u>	<u>126%</u>

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 shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The stress testing of the plan also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change. MHL has a Moody's rating of A2.

By order of the Board



Hazel Sharp
Director

Mariner House, Galleon Boulevard, Crossways, Dartford, Kent DA2 6QE

23 July 2021

MOAT HOMES FINANCE PLC

DIRECTORS' REPORT

for the year ended 31 March 2021

The Directors present the Directors' report and financial statements for Moat Homes Finance Plc (MHF) for the year ended 31 March 2021.

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 (2020: £nil).

Post year end review

There have been no events since the financial year end that require disclosure.

Going concern

The Board has approved the budget for 2021/22 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 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. The stress testing of the plan also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change. As a result, the Board has a reasonable expectation that MHF has adequate resources to continue in operational existence for a period exceeding 12 months from the date of these accounts. It therefore continues to adopt the going concern basis in the financial statements.

Employees

MHF does not employ any staff (2020: nil).

Internal controls

The Board has overall responsibility for establishing and maintaining the whole system of internal control for MHG, and for reviewing its effectiveness and management of fraud risk. The Board's responsibility extends over matters covering strategic, operational, financial, and compliance issues. The Board delegates the review of the effectiveness of the organisation's internal control and risk management environment to the Audit Committee, receiving an annual report.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives; and to provide reasonable, but not absolute, assurance against material misstatement or loss. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of MHG's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls. Further disclosures of financial risk management are included in note 10.

There are clear lines of authority, responsibility and accountability throughout Moat including:

- a Code of Conduct for Employees
- Terms of reference for the Board and Committees
- a framework of policies and procedures which cover fraud prevention and detection, whistle-blowing, health and safety, data and asset protection, financial delegated authorities, segregation of duties, accounting, and treasury management
- key performance indicators, operational and financial, are monitored by Committees and the Board.

The Board continues to believe that outsourced provision of the internal audit function best supports an independent and detailed review of key procedures and controls across the business. The Audit Committee oversees the appointment of the internal auditors and agrees the annual audit plan, which is risk based, in advance. The internal auditors present their reports at each Committee meeting.

The Board have reviewed the system of internal controls for the year ended 31 March 2021 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 2021

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 company's corporate and financial information included on the Moat 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

23 July 2021

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

for the year ended 31 March 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2021 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.

We have audited the financial statements of Moat Homes Finance Plc (the 'company') for the year ended 31 March 2021, 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 their preparation is applicable law and international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the directors on 20 January 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is five years, covering the years ending 31 March 2017 to 31 March 2021. We remain 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- We obtained management's assessment that supports the Directors conclusions with respect to the disclosures provided around going concern
- We considered the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We compared management's forecasts against post year-end management accounts to assess their accuracy to date
- We assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing, and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with management's forecasts.

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.

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

MOAT HOMES FINANCE PLC
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)
for the year ended 31 March 2021

Overview

		2021	2020
Key audit matters	Recoverability of intercompany debt	Yes	No
	Going concern	No	Yes
Materiality	<i>Financial statements as a whole</i> £110k based on 1% of total income (2020: £2.9m based on 1% of total assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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) that 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.

Key audit matter	How the scope of our audit addressed the key audit matter
<i>Recoverability of intercompany debt</i>	
<p>As explained in the accounting policies as per Note 1, the Company on-lends its bond to its parent, Moat Homes Limited (MHL), supporting past, present and future development activity. Security is therefore provided by these housing assets.</p> <p>Although the current financial position of Moat Homes Limited appears strong, market conditions are currently impacted by Covid-19. Furthermore, the loan is long term and therefore assessing longer term factors requires a high degree of judgement.</p> <p>Given the high level of judgement and the potential impact on the financial statements we consider recoverability of intercompany debt to be a Key Audit Matter.</p>	<p>Our response primarily focused on the financial viability of Moat Homes Limited as well as the wider group.</p> <p>We reviewed the Group's Long Term Plan, which forecasts financial performance over the next 15 years. We specifically considered the following viability indicators, relevant to lending facilities throughout the group:</p> <ul style="list-style-type: none"> • Interest cover • Gearing cover • Security capacity • Operating margin <p>We also considered the appropriateness of scenarios modelled by management and outcomes from both single and multi-variable events.</p> <p>In addition, we:</p> <ul style="list-style-type: none"> • Considered forecasts prepared by management and challenged the key assumptions based on our knowledge of the business. • Obtained and assessed the contractual repayment terms attached to amounts due from the group and the company's financial liabilities. <p>We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.</p> <p>Key observations Our work identified no factual misstatements or inappropriate application of judgement or estimation and we have concluded that relevant information has been appropriately reported taking account of reasonable assumptions.</p>

MOAT HOMES FINANCE PLC
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE
PLC (continued)
for the year ended 31 March 2021

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements
Materiality	£110,000 (2020 – £2.9m, with specific materiality over areas that impact operating performance of £89,000)
Basis for determining materiality	1% of total income (2020 – 1% of total assets, with specific materiality based on 1% of total income)
Performance materiality	£83,000 (2020 - £2.2m and £67,000 in relation to specific materiality)
Basis for determining performance materiality	75% of materiality (2020 – 75% of materiality)

Rationale for the materiality benchmark applied

The benchmark used for the current year materiality is total income. Total income is of particular interest to the users of the financial statements as this supports its interest obligations necessary to operate. Performance materiality has been determined taking into account various factors including: the expected total value of known and likely misstatements, brought forward misstatements, management's attitude towards adjustments, the number of material estimates, and how homogeneous processes are within the group.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,000 (2020: £55,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and strategic report 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

MOAT HOMES FINANCE PLC
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE PLC (continued)
for the year ended 31 March 2021

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p>Strategic report and Directors' report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<p>Matters on which we are required to report by exception</p>	<p>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:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company 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, 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

MOAT HOMES FINANCE PLC
INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF MOAT HOMES FINANCE
PLC (continued)
for the year ended 31 March 2021

Based on our understanding of the Company and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with Companies House, and we considered the extent to which non-compliance might have a material effect on the Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Companies Act 2006 and tax legislation.

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 inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:

- We understood how the Company is complying with the legal and regulatory frameworks most significant to the Company by making enquiries to management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of minutes;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper income recognition. In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals and tested the application of cut-off and revenue recognition;
- Reviewed and challenged the application of significant accounting estimates and judgements made in the preparation of the financial statements, notably the recoverability of intercompany debt;
- Discussed with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud; and
- Read minutes of meetings of those charged with governance, reviewed internal audit reports and reviewed correspondence with HMRC.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent 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
London
United Kingdom
9 August 2021

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 2021

	Notes	2021 £000	2020 £000
Turnover	3	11,047	8,879
Operating expenses		-	-
Operating profit		11,047	8,879
Interest payable	6	(11,047)	(8,879)
Profit on ordinary activities before taxation	4	-	-
Taxation		-	-
Profit for the financial year		-	-

STATEMENT OF TOTAL COMPREHENSIVE INCOME

	2021 £000	2020 £000
Total comprehensive income	-	-

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 2021

	Notes	2021 £000	2020 £000
Current assets			
Debtors	7	1,819	1,780
Debtors falling due in more than one year	7	287,652	289,144
Cash at bank and in hand		644	644
		<u>290,115</u>	<u>291,568</u>
Creditors: amounts due within one year	8	<u>(1,781)</u>	<u>(1,742)</u>
Total assets less current liabilities		288,334	289,826
Creditors: amounts due after more than one year	9	<u>(288,284)</u>	<u>(289,776)</u>
Net assets		<u>50</u>	<u>50</u>
Capital and reserves			
Share capital	11	50	50
Reserves		-	-
Equity shareholders' funds		<u>50</u>	<u>50</u>

STATEMENT OF CHANGES IN EQUITY

	2021 £000	2020 £000
As at 1 April	50	50
Profit for the year	-	-
As at 31 March	<u>50</u>	<u>50</u>

The financial statements were approved by the Board on 23 July 2021 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 2021

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 UK and Republic of Ireland.

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 2021/22 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 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. The stress testing of the plan also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change. As a result, the Board has a reasonable expectation that MHF has adequate resources to continue in operational existence for a period exceeding 12 months from the date of these accounts. 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 and are offset only when the organisation currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

MOAT HOMES FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2021

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

	2021	2020
	£000	£000
Income from group entity	<u>11,047</u>	<u>8,879</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

	2021	2020
	£000	£000
Interest payable on the bond	<u>11,047</u>	<u>8,879</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 2021

7. DEBTORS

	2021	2020
	£000	£000
Due from other group entities	1,819	1,780
Long term debtors:		
Due from other group entities	287,652	289,144
	<u>289,471</u>	<u>290,924</u>

8. CREDITORS – amounts due within one year

	2021	2020
	£000	£000
Premium on issue of bond	1,530	1,489
Discount on issue of bond	(38)	(36)
Other creditors are interest payable and similar charges	289	289
	<u>1,781</u>	<u>1,742</u>

9. CREDITORS – amounts due after more than one year

	2021	2020
	£000	£000
30 year Fixed rate Bond	250,000	250,000
Premium on issue of bond	39,555	41,085
Discount on issue of bond	(1,271)	(1,309)
	<u>288,284</u>	<u>289,776</u>

	2021	2020
	£000	£000
Loans are repayable, otherwise than by instalments as follows		
In five years or more	<u>250,000</u>	<u>250,000</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 2021

10. FINANCIAL INSTRUMENTS

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

	2021	2020
	£000	£000
Financial assets		
Measured at amortised cost:		
Loan to MHL (<i>note 7</i>)	287,652	289,144
Measured at undiscounted amount receivable:		
Income receivable from MHL re loan (<i>note 7</i>)	1,782	1,743
Other debtor (<i>note 7</i>)	37	37
	<u>289,471</u>	<u>290,924</u>
Financial liabilities		
Bond, premium and discount (<i>notes 8 and 9</i>)	289,776	291,229
Measured at undiscounted amount payable:		
Interest payable (<i>note 8</i>)	289	289
	<u>290,065</u>	<u>291,518</u>
	£000	£000
Income and expense in relation to financial instruments		
Total income for financial assets at amortised cost	<u>11,047</u>	<u>8,879</u>
Total interest expense for financial liabilities at amortised cost	<u>(11,047)</u>	<u>(8,879)</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 2021

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 shows a strong liquidity position and meets banking covenants throughout, with no reliance on asset sales to pay its interest. The stress testing of the plan also indicates that there is sufficient headroom on covenants to allow it to take remedial action in the event of adverse external conditions or if the assumptions used in the plan change. MHL has a Moody's rating of A2.

11. CALLED-UP SHARE CAPITAL

	2021	2020
	£000	£000
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.