MOAT HOMES FINANCE PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2022

REGISTERED NUMBER: 07743490

MOAT HOMES FINANCE PLC
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DIRECTORS, REGISTERED OFFICE, ADVISORS AND LEGAL STATUS

Directors:	Hazel Sharp Greg Taylor Chris Ellmore (appointed November 2021)
Secretary:	Puneet Rajput (appointed March 2022) Matthew Hayday (resigned March 2022)

Registered office:	Mariner House Galleon Boulevard Crossways Dartford Kent DA2 6QE

Advisors:

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 (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 in April 2021 at a premium of £23.8m. There are no plans to raise additional funding in 2022/23.

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 (2021: £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 2022 the net assets of the Company were £50k (2021: £50k).

Key performance indicators

MHF's main performance indicator is to meet 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	2022	2021
Asset cover	> 115%	139%	131%

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.

Section 172 statement

The Company was formed for the sole purpose of raising debt finance for Moat Homes Limited. It is a wholly owned subsidiary and does not have any employees. The Directors, accordingly, do not consider that the interests of the Company's employees or the need to act fairly between members of the Company are relevant to the proper discharge of their duty under section 172. Each of these factors is considered by the wider group.

The Directors take guidance from the Group on matters relating to the impact of the Company's operations on the community and environment.

Section 172 statement (continued)
Given the purpose of the Company the relevant stakeholder groups are the investors in the listed debt and the parent group. The Board of MHF consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of those stakeholders, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term
- the need to foster the Company's business relationships with suppliers, customers and others, and
- the desirability of the Company maintaining a reputation for high standards of business conduct.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2022:

- To sell the remaining £50m of our Bond in April 2021 at a premium of £23.8m.

On behalf of the Board

Hazel Sharp

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

27 July 2022

MOAT HOMES FINANCE PLC
DIRECTORS' REPORT for the year ended 31 March 2022

The Directors present the Directors' Report and financial statements for Moat Homes Finance Plc (MHF) for the year ended 31 March 2022.

Directors
The Directors who served during the year are listed on page 2.

Principal activities
MHF is a special purpose funding vehicle 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 (2021: £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 2022/23 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 (2021: nil).

Qualifying third party indemnity provisions
Directors' and officers' insurance cover has been established for Directors to provide appropriate cover for their reasonable actions on behalf of the Company.

Internal controls
The Board has overall responsibility for establishing and maintaining an adequate system of internal control for MHF, 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 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 MHF'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.

The system of control is operated across the Moat Group and there are clear lines of authority, responsibility, and accountability throughout 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. During the year a procurement process took place for the internal audit function, and from 1 April 2022 Beever and Struthers replace Price Waterhouse Coopers as the internal auditor.

The Board have reviewed the system of internal controls for the year ended 31 March 2022 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.

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.

On behalf of the Board

Hazel Sharp

Hazel Sharp
Director
Mariner House, Galleon Boulevard, Crossways, Dartford, Kent DA2 6QE
27 July 2022

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

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 2022 and of its result for the year then ended
- the 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 for the year ended 31 March 2022, which comprise the profit and loss account and statement of retained earnings, statement of financial position 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 6 years, covering the years ending 31 March 2017 to 31 March 2022.

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 listed 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 the Directors' going concern assessment which includes assessment of the recoverability of on lent funds to the parent. As such our work has focussed on the Directors' review of the parent and group business plans.
- We considered the appropriateness of management's forecasts by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and considered the reasonableness of the range of scenarios included in management's consideration of downside sensitivity analysis
- We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions
- We obtained an understanding of the financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions
- We assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing
- 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.

Overview

		2022	2021
Key audit matters	Recoverability of intercompany debt	☑	☑
Materiality	Financial statements as a whole: £125,000 (2021: £110,000) based on 1% (2021: 1%) of income		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the 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.

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td colspan="2">Recoverability of intercompany debt
As disclosed in note 7 of the Financial Statements the Company is owed £360,911,000 by group companies. As disclosed in note 2 a judgment has been made by the Directors in respect of Moat Housing Limited's ability to make interest and principal payments as they fall due.</td></tr>
<tr><td>As the entity on-lends to its parent, the principal risk facing the entity is that the parent will be unable to make its interest or principal payments when they fall due. Recoverability of these balances is specifically tied to the future viability of the Group and needs to be reviewed at each balance sheet date.

The Directors of the entity have confirmed their review of the viability assessment as demonstrated by the updated 30 year business plans prepared by the Group and assessed that there are no factors or events that may cast doubt on the ability of it to continue to operate for the foreseeable future, and as a result, will be able to make its interest or principal payments when they fall due.

The Directors' updated 30 year business plans involves a number of subjective judgements. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this was identified as a Key Audit Matter.</td><td>Our audit response involved the following procedures on the long term forecasts of the parent to assess its ability to repay its debt to Moat Homes Finance PLC:
- We considered the appropriateness of forecasts prepared by the parent entity by reviewing and assessing assumptions applied by management, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis
- We challenged Moat Housing Limited management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions
- We obtained an understanding of all Moat Homes Limited financing facilities from the finance agreements, including the nature of the facilities, covenants and attached conditions; we further assessed the facility and covenant headroom calculations, and re-performed sensitivities and stress testing
- We have, in completing the review, considered the ability of the parent to repay their debt to Moat Homes Finance Plc as it falls due.

Key observations:
We noted no material exceptions through performing these procedures.</td></tr>
</table>

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

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	
	2022	2021
Materiality	£125,000	£110,000
Basis for determining materiality	1% of finance income	1% of finance income
Performance materiality	£94,000	£83,000
Basis for determining performance materiality	75% of materiality	75% of materiality

Rationale for the benchmark applied

We used finance income for our chosen benchmark to determine materiality as the entity on-lends funds raised in the capital markets to group companies and therefore the revenue generated from these activities is the area that will have greatest impact on decisions made by users of the accounts.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,000 (2021: £2,000). 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 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. 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.

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

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.

Strategic Report and Directors' Report:

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

- the information given in the Strategic Report and 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.

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.

Matters on which we are required to report by exception:

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited 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 in respect of the Strategic Report, the Directors' Report and the financial statements 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.

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

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 tax legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

In our assessment the areas of the financial statements most susceptible to material misstatement (either from fraud or error), we determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates specifically relating to the recoverability of the intercompany debt, due to a high degree of management judgement and accounting estimation required in such areas. The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work and to ensure they would identify any applicable non-compliance with laws and regulations.

The audit procedures performed by the team included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverability of related party debt
- Identifying and testing journal entries, in particular any journal entries posted from staff members with privilege access rights, journals posted by key management, journals posted to cash and journals posted after the year end.

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 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.

E Kulczycki

Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

Date: 1 August 2022

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

MOAT HOMES FINANCE PLC
PROFIT AND LOSS ACCOUNT AND STATEMENT OF RETAINED EARNINGS
for the year ended 31 March 2022

	Notes	2022 £000	2021 £000
Finance income	3	12,541	11,047
Finance costs	6	(12,541)	(11,047)
Result on ordinary activities before taxation	4	-	-
Taxation		-	-
Result for the financial year		-	-
Retained earnings at the beginning of the year		-	-
Result for the financial year		-	-
Retained earnings at the end of the year		-	-

The notes on pages 15 to 20 form part of these financial statements.

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
STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

	Notes	2022 £000	2021 £000
Current assets			
Debtors falling due in more than one year	7	358,038	287,652
Debtors falling due within one year	7	2,873	1,819
Cash at bank and in hand		644	644
		361,555	290,115
Creditors: amounts due within one year	8	(2,835)	(1,781)
Total assets less current liabilities		358,720	288,334
Creditors: amounts due after more than one year	9	(358,670)	(288,284)
Net assets		50	50
Capital and reserves			
Share capital	11	50	50
Reserves		-	-
Equity shareholders' funds		50	50

The financial statements were approved and authorised for issue by the Board on 27 July 2022 and signed on its behalf by:

Hazel Sharp

Hazel Sharp
Director

Greg Taylor
Director

Registered Number: 07743490

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 2022/23 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.

Finance income
Finance income 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 transaction price 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Premium/ discount on the bond

The premium/discount on the bond is passed through to MHL, where they amortised over the 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.

In preparing these financial statements, a judgement has been made in respect of MHL's ability to make interest and principal payments when they fall due as detailed in Note 10.

3. FINANCE INCOME

	2022 £000	2021 £000
On intercompany loans at amortised cost	12,541	11,047

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. FINANCE COSTS

	2022 £000	2021 £000
Interest payable on bond	14,959	12,500
Amortisation of bond premium	(2,456)	(1,489)
Amortisation of bond discount	38	36
	12,541	11,047

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

7. DEBTORS

	2022 £000	2021 £000
Long term debtors:		
Loan due from other group entities	358,038	287,652
Due within one year:		
Due from other group entities	2,873	1,819
	360,911	289,471

The loan receivable from MHL has the same maturity and interest rate as the 30-year bond (note 9) and is repayable to MHF on 23 September 2041.

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

8. CREDITORS – amounts due within one year

	2022 £000	2021 £000
Premium on issue of bond	2,532	1,530
Discount on issue of bond	(40)	(38)
Other creditors are interest payable and similar charges	343	289
	2,835	1,781

9. CREDITORS – amounts due after more than one year

	2022 £000	2021 £000
30 year fixed rate bond	300,000	250,000
Premium on issue of bond	59,902	39,555
Discount on issue of bond	(1,232)	(1,271)
	358,670	288,284

	2022 £000	2021 £000
Loans are repayable, otherwise than by instalments as follows		
In five years or more	300,000	250,000

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

The loan receivable from MHL (note 7) has the same maturity and interest rate as the 30-year bond and is repayable to MHF on 23 September 2041.

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

10. FINANCIAL INSTRUMENTS

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

	2022 £000	2021 £000
Financial assets		
Measured at historic cost:		
Cash and cash equivalents	644	644
Measured at amortised cost:		
Loan to MHL (*note 7*)	358,038	287,652
Measured at undiscounted amount receivable:		
Income receivable from MHL re loan (*note 7*)	2,836	1,782
Amount receivable from MHL re share capital (*note 7*)	37	37
	361,555	290,115

10. FINANCIAL INSTRUMENTS (continued)

	2022 £000	2021 £000
Financial liabilities		
Measured at amortised cost:		
Bond, premium and discount (*notes 8 and 9*)	361,162	289,776
Measured at undiscounted amount payable:		
Interest payable (*note 8*)	343	289
	361,505	290,065

	2022 £000	2021 £000
Income and expense in relation to financial instruments		
Total income for financial assets at amortised cost	12,541	11,047
Total interest expense for financial liabilities at amortised cost	(12,541)	(11,047)

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.

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

	2022 £000	2021 £000
Allotted and issued ordinary shares of £1 each:		
As at 1 April and 31 March	50	50
Amount paid up at 25p per share:		
As at 1 April and 31 March	13	13

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.