BLEND FUNDING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Contents

DIRECTORS AND OFFICERS

Registered No. 11352234

Board of Directors

Chairman and Non-Executive
George Blunden

Other Non-Executives
Scott Bottles
Peter Impey
Anthony King
David Montague
Gill Payne
Will Perry
Catherine Ryder (appointed 1 April 2022)
Shirley Smith
Guy Thomas

Chief Executive
Piers Williamson

Treasurer
Fenella Edge

Finance Director
Colin Burke (resigned 24 May 2022)
Ray Walker (appointed 24 May 2022)

Additional information

Secretary
Ray Walker

Registered office and principal place of business
3rd Floor
17 St. Swithin's Lane
London
EC4N 8AL

Independent Auditor
CLA Evelyn Partners Limited*
Chartered Accountants and Statutory Auditor
45 Gresham Street
London
EC2V 7BG

**Formerly (Nexia Smith & Williamson)*

The Directors present their Strategic Report, Directors' Report and audited financial statements of Blend Funding Plc (the "Company") for the year ended 31 March 2022.

STRATEGIC REPORT

The Strategic Report has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and includes a summary of how the Directors have acted in good faith to promote the success of the Company for the benefit of its stakeholders. The Company is a wholly owned subsidiary of T.H.F.C. (Services) Limited, (the "Immediate Parent Company") and the ultimate parent company is The Housing Finance Corporation Limited ("THFC"). THFC and its related subsidiaries are known as the "Group".

PRINCIPAL ACTIVITY

The principal activity of the Company is to raise debt for the purpose of on-lending to registered providers of social housing, registered social landlords and registered housing associations, in England, Wales, Scotland and Northern Ireland, referred to as ("HA"). The Company has no employees of its own but is serviced by its Immediate Parent Company.

Debt is raised through the issuance of notes under the Secured Euro Medium Term Note Programme (the "Programme") that was established on 8 August 2018 and is currently rated A2 by Moody's. The maximum aggregate principal amount of all notes outstanding under the Programme will not exceed £3bn. All secured notes issued under the Programme are ultimately secured on the borrowings of the HAs. It is the intention that, on occasion the Company will retain a certain number of notes from a particular issue of secured notes. The retained notes will be held at par on the Company's balance sheet and netted off against the total amount of notes outstanding until such time as they are sold to fund further loans.

THFC published frameworks relating to *Social and Sustainable Bonds* during the financial period. Following these publications, the Programme was converted to 'Social' bonds, with the exception of the 2061 series, which was converted to a 'Sustainability' bond.

The frameworks are aligned with the social housing sector's Sustainability Reporting Standard and are supported by Vigeo Eiris, a company that evaluates the level of integration of sustainability factors into organisations' strategies and operations.

The Company funds itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees reflect the resource expended in originating the loan whist the annual fee covers the costs of the ongoing administration of the loans through to maturity. The annuity income generated by the annual fees ensures that the Company has a sustainable business model over the medium-term.

To date, the Company has issued £1.2 bn in secured and £0.4bn in deferred notes, with the proceeds being either on lent or committed to borrowers. To date neither the Immediate Parent Company nor the issuer undertake credit due diligence on the borrowers, but the Company does ensure that all borrowers go through a rating assessment process by Moody's to establish and maintain a rating on the secured and deferred notes. The Company's borrowers are disclosed in the Group accounts located at: www.thfcorp.com

The Company expects to continue its principal activity for the life of the Programme until the maturity of all its notes.

REVIEW OF BUSINESS

The Company has fulfilled its obligations under the notes and expects to do so for the forseeable future.

The Company's key financial and other performance indicators during the year were as follows:

	2022	2021
	£000	£000
Fees receivable & other income	**4,793**	5,217
Operating expenses	**1,195**	3,535
Profit after taxation	**3,151**	1,362
Secured notes	**1,499,632**	862,780
Retained earnings	**4,899**	1,748

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors are responsible for adequate risk management and establishing an integrated and company-wide risk culture but can delegate general day to day business conduct to a number of its Committees that serve both the Company and THFC as they share the same board.

Detail on the governance structures and processes in place for assessing and managing risk is discussed in greater detail in THFC's group accounts *'Corporate Governance'* section located at: www.thfcorp.com

The principal risks and uncertainties facing the Company relate to financial and operational risks and are explained in note 2: *financial instruments – Risk management & fair value hierarchy.*

FUTURE TRENDS

Demand for affordable housing remains high, with the National Housing Federation estimating that 145,000 additional new affordable homes are needed by 2031 in England alone to meet current demand. Whilst the Government has confirmed that £12.2bn will be available in the current Affordable Homes Programme ("AHP") for 2021-2026 to support this, HAs continue to raise significant amounts of private debt to fund the building or acquisition of new affordable homes.

However, the economic environment remains fragile with rising interest and inflation rates and a shift to a spend on building safety on existing stock all act as a further disincentive to the development of affordable homes.

So, while the Company is well placed to continue to provide long term funding to its target clients, it is possible that these factors will result in less demand for funding which could result in a slowdown in the writing of loans.

For a more detailed explanation, see the future development section within THFC's Group accounts located at: www.thfcorp.com

SECTION 172(1) STATEMENT

Statement by the Directors in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006.

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions on the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

The following paragraphs summarise how the directors fulfil their duties:

Long-term consequences of decisions made

To meet the Company's principal objective of providing cost-effective long-term funding to HAs, the board has set a strategy to promote steady, sustainable growth.

The long-term tenor and secured nature of the loans made or committed to by the Company to its borrowers requires the board to ensure that both its borrowers and the Company are able to continue to meet their respective legal and other obligations to both the Company and note holders, as detailed in the relevant transaction documents.

Borrowers' performance is monitored regularly to ensure obligations are met on an ongoing basis. The Board also monitors the material risks to the Company and how they might impact on its long-term health.

The Company has funded itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees were charged to reflect the resource expended in originating the loan whilst the annual fee covers the costs of the ongoing administration of the loans through to maturity. The annuity income generated by the annual fees ensures that the Company has a sustainable business model.

The board regularly monitors the material risks to the Company and how they might impact on its long-term health. See *note 2: Financial Instruments - Risk Management & Fair Value Hierarchy* for more detail on how this risk is mitigated.

Interests of employees & fostering business relationships

The Company has no employees except for its board of directors who are party to, and therefore consulted on, all decisions made by the Company. All management services are provided to the Company by the Immediate Parent Company in accordance with a corporate services agreement.

Impact of operations on community and environment

In delivering cost-effective funding to housing associations, the board aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK. The Group, to which the Company belongs, operates on a not-for-profit basis. Distributions paid by the Company to the Parent Company are held for the greater good of the sector and the communities that it serves.

The Company's sustainability strategy is geared around supporting its housing association borrowers in their own transitions and has implemented the following initiatives:

- In May 2021, THFC published its social bond framework and converted three existing companies. bond series into social bonds. All bonds issued by the Company from May 2021 were social bonds. In November 2021, THFC published its sustainable bond framework, which was then used to convert an existing bond series, issued by the Company, into a sustainability bond.
- The Company published its first 'Social Impact and Sustainability Reporting Disclosure Report' during the year.
- More detail on the Company's Environment, Social and Governance ("ESG") reporting and its Social Impact and Sustainability Reporting Standard Disclosure can be viewed at: www.blendfundingplc.com/investorrelations/esg

Maintaining reputation for high standards of business conduct

High levels of integrity are key in the success of our business. This includes:

- All new staff of the Immediate Parent Company receive a comprehensive induction
- THFC's code of conduct, which the Company leverages, is based on the seven principles of public life identified by the Nolan Committee.
- The Company complies with relevant legislation beyond its statutory obligations as best practice.
- Regular compliance training for directors including anti-money laundering and data protection.

Acting fairly between members of the Company

As a board of directors, we have a responsibility to act fairly between members of the Company. The issued share capital of the Company is held by the Immediate Parent Company, and they also share a common board. Each director is therefore closely involved in the key strategic decisions and has the right to challenge on a regular basis.

This report was approved by the Board of Directors and signed on its behalf on 5 August 2022 by:

R Walker

Ray Walker
Finance Director and Company Secretary
Blend Funding Plc

DIRECTORS' REPORT
Year ended 31 March 2022

The Directors present their report together with the audited consolidated Financial Statements of Blend Funding Plc (the "Company") for the year ended 31 March 2022 which have been prepared in accordance with the provisions of the Companies Act 2006.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report. The financial position of the Company and its liquidity position is reflected on the balance sheet.

The Directors have concluded that the Company has adequate resources to continue in operational existence for the 12 months from the date on which the financial statements are approved. For this reason, the Company will continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The names of the current directors are shown on page 1.

SHARE CAPITAL AND COMPANY STRUCTURE

The Company is a public limited company incorporated and domiciled in England and Wales. The issued share capital of the Company is owned by T.H.F.C. (Services) Limited, (the "Immediate Parent Company").

DIVIDEND

The Directors did not declare a dividend for the year (2021: nil).

CORPORATE GOVERNANCE

As an issuer of asset-backed securities (the secured notes), the operations of the Company are conducted by the Immediate Parent Company as the administrator, in accordance with the requirements of a corporate services agreement and the trust deed. This arrangement is monitored by the Board of Directors who are also directors of the administrator. There is no requirement for a separate audit committee.

INSURANCE OF DIRECTORS

The Company maintains third-party liability insurance to cover proceedings brought by third parties in respect of their duties as directors of the Company.

CHARITABLE AND POLITICAL CONTRIBUTIONS

There were no charitable donations nor any contributions for political purposes made by the Company during the year (2021: nil).

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

In line with the SECR reporting requirements, the Company has elected to report on its energy use. The Company shares its premises with The Housing Finance Corporation Limited ("THFC"), the Company's ultimate parent company and this information is presented at a Group level within THFC's consolidated financial statements. A copy of these financial statements can be obtained at www.thfcorp.com.

INDEPENDENT AUDITOR

CLA Evelyn Partners Limited has been engaged by the Board as auditor of the Company and a resolution for their reappointment will be proposed at the Annual General Meeting.

This report was approved by the Board of Directors and signed on its behalf on 5 August 2022 by:

Ray Walker
Finance Director and Company Secretary
Blend Funding Plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he/she has taken all reasonable steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

This report was approved by the Board of Directors and signed on its behalf on 5 August 2022 by:

R Walker

Ray Walker
Director

Opinion

We have audited the financial statements of Blend Funding Plc (the 'company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including 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.

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 profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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, 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

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.

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.

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. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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.

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 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.

Matters on which we are required to report by exception

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.

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 8, 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.

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:

We obtained a general understanding of the company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation or claims. We also drew on our existing understanding of the company's industry and regulation.

We understand the company complies with requirements of the framework through:

- The directors overseeing the operation of the company's management services agreement with the THFC Group, which requires T.H.F.C. (Services) Limited to implement, monitor and update operating procedures, manuals and internal controls as legal and regulatory requirements change;
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The outsourcing of tax compliance to external third parties.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the company's ability to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the company:

- The Companies Act 2006 and international accounting standards in conformity with the Companies Act 2006 in respect of the preparation and presentation of the financial statements; and
- The Listing Rules as applicable to the International Securities Market ("ISM") ("the ISM Rules"), in relation to the listing of secured bonds.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Discussions with management including consideration of known or suspected non-compliance with the ISM Rules;
- Confirming through review of the engagement letter with legal advisors that they are engaged to provide ongoing updates and advice to ensure ongoing compliance with the ISM Rules;
- Performing a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Performing a review of any legal correspondence with the company's legal advisors.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements, especially operating income, through manual journals and judgements as to whether loans to borrowers are impaired. This was communicated to the other members of the engagement team who were not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- Testing a sample of manual journal entries, selected based on specific risk assessments applied based on the Company's processes and controls surrounding manual journals;
- Challenging management regarding the assumptions used in the judgements and estimates above; and
- Substantive testing of operating income.

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.

L Manson

Lindsay Manson
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG

5 August 2022

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2022

	Note	2022 £000	2021 £000
OPERATING INCOME			
Interest receivable	3	**29,113**	17,758
Fees receivable and other income		**4,793**	5,217
		33,906	22,975
OPERATING EXPENDITURE			
Interest payable	4	**28,821**	17,758
Operating expenses	5	**1,195**	3,535
		30,016	21,293
PROFIT BEFORE TAXATION	6	**3,890**	1,682
Taxation	7	**(739)**	(320)
Profit after taxation		**3,151**	1,362
TOTAL COMPREHENSIVE INCOME		**3,151**	1,362

The notes on pages 17-32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

ASSETS	Note	2022 £000	2021 £000
Non-current assets			
Loans to borrowers	9	**1,309,602**	860,382
Current assets			
Other receivables	10	**5,893**	4,167
Short term deposits		**189,224**	-
Cash and cash equivalents		**15,393**	4,861
TOTAL ASSETS		**1,520,112**	869,410
EQUITY AND LIABILITIES			
Non-Current liabilities			
Financial liabilities – Secured Notes	11	**1,495,639**	860,382
Current liabilities			
Other payables	12	**18,840**	7,027
Current tax liabilities		**721**	240
TOTAL LIABILITIES		**1,515,200**	867,649
EQUITY			
Share capital	13	**13**	13
Retained earnings	14	**4,899**	1,748
TOTAL EQUITY		**4,912**	1,761
TOTAL EQUITY AND LIABILITIES		**1,520,112**	869,410

Approved and authorised for issue by the Board of Directors on 5 August 2022 and signed on its behalf by:

Fenella Edge
Director

Blend Funding Plc **Registration Number 11352234**

The notes on pages 17-32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2022

	Called Up Share Capital	Retained Earnings	Total Equity
	£000	£000	£000
Balance as at 1 April 2021	**13**	**1,748**	**1,761**
Profit for year	**-**	**3,151**	**3,151**
Balance as at 31 March 2022	**13**	**4,899**	**4,912**
Balance as at 1 April 2020	13	386	399
Profit for year	-	1,362	1,362
Balance as at 31 March 2021	13	1,748	1,761

The notes on pages 17-32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 March 2022

		2022	2021
NET CASH FLOW FROM OPERATING ACTIVITIES	**Note**	**£000**	£000
Cash generated from operations as per reconciliation of profit to net cash generated from operations	16	**4,731**	890
Adjustments for:			
Interest paid on borrowings		**(28,350)**	(16,453)
Interest received on loans		**31,976**	19,623
Loans advanced		**(453,799)**	(462,846)
Gilt investments and short-term deposits		**(189,223)**	-
Net proceeds from issue of notes		**640,500**	462,846
Premium received on deferred notes		**4,953**	-
Tax paid		**(256)**	(125)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**10,532**	3,935
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**10,532**	3,935
CASH AND CASH EQUIVALENTS AT 1 APRIL		**4,861**	926
CASH AND CASH EQUIVALENTS AT 31 MARCH		**15,393**	4,861

The notes on pages 17-32 form an integral part of these financial statements.

1. ACCOUNTING POLICIES

a) Significant accounting policies

The accounting policies applied in the preparation of the financial statements of Blend Funding Plc (the "Company") are described in this note. These policies have been applied consistently in all the years presented unless otherwise stated. The Company is a wholly owned subsidiary of T.H.F.C. (Services) Limited, (the "Immediate Parent Company"). The group into which the Company is consolidated, and the ultimate parent undertaking is The Housing Finance Corporation Limited ("THFC").

Presentational currency
The Company's financial statements are presented in pound sterling, which is also the Company's functional currency with no transactions in foreign currency.

Basis of preparation
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Critical accounting judgements, estimates and assumptions
Preparation of these financial statements requires management to apply judgement, make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Such estimates and assumptions are based on the best available information and are regularly reassessed.

The directors have concluded that no impairment provision is required in relation to its loans to borrowers and undrawn loan commitments in accordance with IFRS 9. This is for a number of reasons which includes, but is not limited to, the credit quality of its borrowers and the Company's zero loss experience to date. As the Company is not subject to any net credit risk, any incurred loss impairment or provision for undrawn loan commitments would be matched by a similar adjustment to the gross liability. See *Expected credit loss provision* below.

Going Concern
The Company continues to adopt the going concern basis, as disclosed in the Directors Report on page 6. At the date of signing the accounts there is no evidence to suggest that the Company or any borrower will be unable to meet its covenants in the foreseeable future. Having reviewed its own financial position and that of the borrowers upon which it is dependent, the board has a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future being a period of no less than 12 months from approval of these financial statements. The Company therefore continues to adopt the going concern basis in preparing the financial statements.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value but may be subsequently amortised if held at amortised cost. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Net transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVPL")) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. The Company incurs and recovers substantially all transaction costs, so they do not form part of the fair value at recognition.

ACCOUNTING POLICIES (continued)

For further disclosure on fair values, see note 2: Financial instruments – risk management & fair value hierarchy.

Debt instruments at amortised cost
A debt instrument is measured at amortised cost if it meets the following conditions:

- It is held within a business model that has an objective to hold financial assets to collect contractual cash flow; and
- The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Refer to notes 9: loans to borrowers and 11: financial liabilities – secured notes.

Expected credit loss provision
Debt instruments measured at amortised cost are assessed for their expected credit loss ("ECL") in the 12 months after the reporting date. ECL is the probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. ECL recognises the shortfall of cash flows that would result if default occurred within 12 months of the reporting date, weighted by the risk of that default occurring.

The Company operates within a loss free sector and all borrowers have complied with their obligations under their respective loan agreements since inception. The 12-month ECL is based on its loss experience and to date, there are no material indicators of future losses, so the Company's ECL on its loans and undrawn loan commitments remains at zero.

The Company has identified a number of early warning indicators ("EWI") against which its loans and undrawn loan commitments are monitored. If any of the events occur, internal consideration is given as to whether the loan or undrawn loan commitment should move to stage 2 classification.

The Company has also identified a series of criteria that will be used to determine if a loan or undrawn loan commitment meets the definition of default, and therefore should move to stage 3.

Loans to borrowers
Loans to borrowers represent monies lent to non-profit UK Registered Providers of Social Housing (housing associations, or "HAs") under loan agreements and held at amortised cost. Although all loans are expected to run to maturity a borrower may, in accordance with the terms of its loan agreement, prepay the whole or part of the outstanding amount of its original loan. Any prepayment proceeds will be applied in accordance with the Trust Deed which may include redemption of bonds or purchase and cancellation of bonds by the Company. The terms of the Trust Deed provide that a HA borrower shall be entitled to purchase an amount of notes and may surrender the same to the Company for cancellation. In those circumstances an equivalent amount of the borrower's loan shall be deemed to be repaid.

Undrawn loan commitments
Undrawn loan commitments represent monies committed to be lent to HAs under the terms of a loan agreement at a future date. As the loan receivable arising from the commitment will be held by the Company in line with its "hold to collect" business model, the loan commitment is not recognised in the statement of financial position.

ACCOUNTING POLICIES (continued)

Short-term deposits
Short-term deposits consist of term deposits whose original maturity dates are greater than three months from the investment date, but not more than twelve months.

Cash and cash equivalents
Cash and cash equivalents comprise balances with an original maturity of three months or less, including cash and money market products.

Other receivables
Other receivables are amounts due to the Company in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. They are recognized initially at fair value and subsequently measured at amortised cost.

Other payables
Other payables are obligations to pay for services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. They are recognized initially at fair value and subsequently measured at amortised cost.

Equity
Equity instruments issued by the Company are recorded at proceeds received net of direct issue costs.

Corporate taxation
Corporation taxation payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise.

Segmental Analysis
All operating income and expenditure is derived from activities undertaken in the United Kingdom. The Company's only activity is to provide finance to HAs. Therefore, no segmental information is prepared by management. Other relevant segmental information is given in note 18: *Segmental Information*.

Interest
Interest receivable on loans to the borrowers, and interest payable on the secured notes, is accounted for using the effective interest rate method. Any premium or discount on issue is added to or deducted from the original loan amount or secured notes nominal value using the effective interest rate method. This is charged or credited to the statement of comprehensive income over the expected life of the loan or notes, so that the interest receivable and payable, as adjusted for the amortisation of the premium or discount, gives a constant yield to maturity.

Fees and premium receivable
This comprises arrangement fees receivable on completion of loan transactions, annual fees (for the ongoing service provided to borrowers) and premium receivable on completion of loan prepayment transactions.

Fees are measured at the transaction price received or receivable, net of discounts, VAT and other sales related taxes. They are recognised over the period the performance obligation is satisfied, which is expected to be less than one year, so there is no adjustment for a financing component.

Arrangement fees and premium receivable are recognised on the completion of the transaction with the borrower. Annual fees are recognised over the period in which the services are provided.

ACCOUNTING POLICIES (continued)

Operating expenses
Operating expenses relate to the on-going operating costs of the Company and are recognised in the period in which the services are provided.

b) New and amended Standards and Interpretations adopted by the Company

The following new and amended Standards and Interpretations are effective for periods beginning on or after 1 January 2021, but were adopted early by the Company in the prior year:

- Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures. Following the amendments issued as part of Phase 1, the changes in the final phase that are likely to be applicable to the Company relate to:

    - Changes to contractual cash flows whereby a company will not be required to derecognise or change the carrying amount of financial instruments for changes required by the reform. Companies will however be required to adjust the effective interest rate to reflect a change to the alternative benchmark.

    - Disclosures – requirements to disclose information about new risks arising from the interest rate benchmark reform and how the Company has managed transition to alternative benchmark rates.

The adoption of these amendments has not had a material impact on the reported results or financial position of the Company and has not given rise to any additional disclosure requirements.

c) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2021 but not currently relevant to the Company

Other standards effective or amended in the year have not had a material impact on the reported results or financial position of the Company.

d) New and amended Standards and Interpretations issued but not mandatory and not yet UK endorsed so not yet available for early adoption

- Annual Improvements: IFRS 2018–2020 cycle. These amendments form part of the IASB's annual improvement process, which is designed to make necessary, but not urgent, amendments to IFRSs. The amendments that are likely to be applicable to the Company are:

    - IFRS 9 Financial Instruments – Clarifies which fees should be included in the '10 per cent' test on substantial modification of financial liabilities i.e., only those exchanged between the borrower and lender directly.

ACCOUNTING POLICIES (continued)

The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2022, with early application permitted in the EU. Early application for use in the UK will be permitted once endorsed. The amendments to IFRS 16 relate to an illustrative example and so no effective date is stated.

- IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. This amendment applies the concept of materiality to the disclosure of accounting policies. Consequently, all instances of "significant accounting policies" within IAS 1 Presentation of financial statements has been replaced with "material accounting policy information". Information in an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements. Immaterial accounting policies can still be presented if these do not obscure material accounting policy information. The amendments to IFRS Practice Statement 2 provide guidance and examples to determine when an accounting policy is material to the financial statements. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted upon endorsement. They are applied prospectively. As the guidance per IFRS Practice Statement 2 is not mandatory, no effective date is issued.

- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a single transaction. In certain instances, such as the initial recognition of a lease or a decommissioning provision, IFRS requires simultaneous recognition of an asset and liability and consequently, there may be also offsetting temporary differences. Prior to this amendment, IAS 12 Income taxes was unclear around whether deferred tax was also required to be recognised on these temporary differences or whether the initial recognition exemption applied. The initial recognition exemption prohibits an entity from recognising a deferred tax asset or liability on initial recognition of an asset or liability in a transaction that is not a business combination and neither affects profit or loss. The amendments issued provides an exception to the initial recognition exemption where transactions give rise to equal taxable and deductible temporary differences and will therefore require careful consideration whether such temporary differences exist. The amendment is effective for periods beginning on or after 1 January 2023, with early application permitted upon endorsement.

- Amendments to IAS 8: Definition of Accounting Estimates. The IASB issued Definitions of Accounting Estimates (Amendments to IAS 8) in February 2021. The changes focus on the distinction between accounting estimates and accounting policies, and make the following key clarifications:

  - The definition of a change in accounting estimate has been deleted and replaced with a definition of an accounting estimate, which includes "monetary amounts in the financial statements which are subject to measurement uncertainty".
  - A change in accounting estimate that results from new information or new developments is not a correction of error.
  - The impact from a change in input or measurement technique used to determine an accounting estimate is a change in an accounting estimate if it does not result from the correction of a prior period error.
  - A change in an accounting estimate may only affect the current period profit or loss, or the current and future profit and loss.

ACCOUNTING POLICIES (continued)

The amendment is effective for financial periods beginning on or after 1 January 2023 to changes in accounting policies and estimates that occur after the start of that period. Earlier adoption is permitted upon endorsement.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. The proposed amendments are designed to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current. The proposed amendments do this by:
    - Clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period rather than requiring an unconditional right to defer settlement; and
    - Making clear the link between the settlement of the liability and the outflow of resources from the entity.

The effective date is for periods beginning on or after 1 January 2023. There is a proposal to defer the effective date until not earlier than 1 January 2024, which is subject to IASB approval.

The Directors are currently assessing the impact and timing of adoption of these Standards on the Company's results and financial position. The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

2. FINANCIAL INSTRUMENTS - RISK MANAGEMENT & FAIR VALUE HIERARCHY

RISK MANAGEMENT

The Company's operations and significant debt financing expose it to a variety of potential financial risks including interest rate, credit, liquidity, fair value and market price risk. These risks, and the means by which they are monitored and controlled, have not changed significantly since the previous period.

Credit risk
The Company is subject to gross credit risk on its loans and undrawn loan commitments but no net risk.

The Company's primary risk is the failure of one or more of its customers to pay principal or interest in a full and timely manner under a loan agreement. Loans are fully secured and covenanted in accordance with the terms of the issuing company's Trust Deed. Security is required with an agreed margin and values are independently verified at regular intervals. Where a borrower has issued a drawdown notice under a loan commitment for a future date and defaults in the intervening period, the Company's matching obligation to borrow an equivalent amount of funds is released. In the event of a default of a drawn loan, the time required to obtain control of rental revenues, and to realise security, may not be certain; the Company has taken action to mitigate any resulting impact on liquidity and this is described below.

No loans or undrawn loan commitments are past due or impaired at 31 March 2022 (2021: None).

The Programme has been assigned a Moody's rating of "A2" (2021: "A2") driven by the weighted average rating of its pool of borrowers and this also determines the eligibility of new borrowers.

Gross credit risk on the loans is mitigated by the collateral and security arrangements described below.

FINANCIAL INSTRUMENTS - RISK MANAGEMENT & FAIR VALUE HIERARCHY (continued)

Collateral and security arrangements
The investors in the Company benefit from a floating charge over the Company's assets which are primarily its secured loans to HAs.

Law Debenture Trust Corporation Plc acts as the trustee on behalf of all secured noteholders, under the terms of a Trust Deed, and has the benefit of the floating charge over all the assets of the issuer.

HAs who borrow from the Company create a first fixed charge in favour of the Company over certain property assets. All of the Company's assets, including the loans to the HAs, and the security granted in respect of its assets are pooled rather than being allocated to specific liabilities of the Company. As such the obligations to the investors are indirectly secured by the properties owned by the HA borrowers. As the investors are secured by a floating charge on the whole of the Company's pooled undertakings it is not practical or cost effective to obtain a measure of the book or fair value of this collateral.

The Company is required to obtain a charge over the assets of HAs which, at all times during the life of each loan, covers at least 110% of the outstanding loan balance and 100% income cover. The latter is to ensure that the debt is adequately serviced from the relevant assets through to maturity in the event of a default. Formal property valuations of the specific security are undertaken at least every five years. The range of borrowing HAs assists in diversification of the credit risks faced by investors. All HA borrowers are subject to external regulation by the regulator of social housing in the relevant jurisdiction.

Collateral, unless subject to enforcement, is not recorded on the Company's statement of financial position.

Liquidity risk
To mitigate liquidity risk, the Company collects interest payments from borrowers one month prior to payment to noteholders. Additionally, borrowers maintain a debt service reserve fund, with the Company as trustee, which amounts to a minimum of one year's worth of interest that can be drawn upon in the event of non-payment by an HA borrower.

There is a two-year maturity mismatch between expected and legal maturity of the secured notes. Meaning, if the borrower has insufficient funds to repay the principal amount outstanding on its loan on the expected maturity date, then repayment of the relevant note will be postponed to the legal maturity date. Similarly, all commitments to lend funds to a borrower at a future date are provided on the above terms.

Interest is receivable half yearly in arrears at an amount equal to the relevant borrower's proportionate share of all interest falling due for payment by the company on the secured notes. The maturity analysis is disclosed in note 11: *Financial liabilities – secured notes*

Interest rate risk
The interest charged on the drawn down loans is fixed and is equal to the interest payable on the related secured notes and hence there is no cash flow risk between the receipt and payment of interest. Accordingly, the directors consider that the Company is not subject to any risk on the fluctuation of interest rates. The Company's gilt holdings are intended to be held until maturity and are accounted for on that basis. However, the interest rate risk represents the risk the value what would be achieved if they were to be sold before maturity.

FINANCIAL INSTRUMENTS - RISK MANAGEMENT & FAIR VALUE HIERARCHY (continued)

Fair value risk and market price risk
There is a gross fair value risk on the loans and secured notes but there is no net risk. Market price risk does not impact on the Company because (i) the loans and secured notes are held at amortised cost in the financial statements and (ii) the Company expects to hold them until maturity.

Currency risk
All financial assets and liabilities are denominated in sterling and hence there is no currency risk.

Operational risk
Operational risk is the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations.

Whilst operational risk cannot be entirely eliminated, the Company leverages the documented internal controls policy of THFC that is designed to prevent operational risk incidents having a material adverse impact on normal business operations. This policy is reviewed by THFC's internal auditors on a three-year cycle and has been rated as sufficient. The Company also has the ability to operate entirely as a remote business as was demonstrated during the pandemic of 2020/21. It also has a robust business continuity plan which is tested periodically.

FAIR VALUE HIERARCHY

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

IFRS 13 *Fair value measurement* requires an entity to classify for disclosure purposes its financial instruments held at amortised cost according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Level 1 - Quoted market prices
Financial instruments are classified as Level 1 if their value is observable in an active market. Fair values for such instruments are reported by reference to unadjusted quoted prices for identical assets or liabilities where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Valuation technique using observable inputs
Financial instruments classified as Level 2 are fair valued using models whose inputs (for example, interest rates and credit spreads) are observable in an active market.

Level 3 - Valuation technique using significant unobservable inputs
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. The Company has no instruments classified in Level 3 (2021: None).

FINANCIAL INSTRUMENTS - RISK MANAGEMENT & FAIR VALUE HIERARCHY (continued)

The Company's secured notes are tradable, but the markets are not considered to be active. Accordingly, market prices of the reference gilt have been adjusted for an appropriate credit spread to arrive at a fair value (Level 2 valuation). The fair value of the associated fixed rate loans to the borrowers are similarly adjusted for appropriate credit spreads (Level 2 valuation) on the basis that the Standard and Poor's credit rating of the loans are dependent on that of the borrowers.

The level 2 fair value of the secured notes and the level 2 fair value of the associated loans, as at 31 March 2022 are shown below. The fair value is derived from the market value of the secured notes at that date. There is no difference between the fair value and carrying value of all other financial assets and liabilities.

	2022		2021	
	Carrying value	**Fair value**	Carrying value	Fair value
	£000	**£000**	£000	£000
Financial assets:				
Classified as loans & receivables				
Loan to borrower(s)				
Non-current	**1,309,602**		860,382	
Current	**3,621**		2,398	
Total	**1,313,223**	**1,219,232**	862,780	900,686
Interest receivable	**929**	**929**	436	436
Other receivables	**1,343**	**1,343**	1,333	1,333
Total financial assets	**1,315,495**	**1,221,504**	864,549	902,455
Financial liabilities:				
Classified as financial liabilities at amortised cost				
Secured Notes				
Non-current	**1,495,639**		860,382	
Current	**3,993**	**1,360,315**	2,398	
Total	**1,499,632**	**1,360,315**	862,780	897,223
Interest payable	**9,798**	**9,798**	3,899	3,899
Other payables	**1,873**	**1,873**	730	730
Total financial liabilities	**1,511,303**	**1,371,986**	867,409	901,852

3. INTEREST RECEIVABLE

	2022 £000	2021 £000
Interest receivable on loans	**32,469**	19,690
Premium amortised	**(3,356)**	(1,932)
	29,113	**17,758**

There is a mismatch in the amortisation of the premium during a deferral period on some arrangements to reflect the timing difference between the issued bond and the advancement of the loan.

4. INTEREST PAYABLE

	2022 £000	2021 £000
Interest payable on secured notes	**34,248**	19,690
Premium amortised	**(3,648)**	(1,932)
Accelerated premium amortised on deferred loans	**(1,779)**	-
	28,821	17,758

There is a mismatch in the amortisation of the premium during a deferral period on some arrangements to reflect the timing difference between the issued bond and the advancement of the loan.

5. OPERATING EXPENSES

	2022 £000	2021 £000
Management fee payable	**1,190**	3,521
Other	**5**	14
	1,195	3,535

Operating expenses comprise certain professional fees and fees payable to the Immediate Parent Company under the terms of a management services agreement.

6. PROFIT BEFORE TAXATION

The profit before taxation is wholly attributable to the company's principal activity, arose wholly within the United Kingdom, and is stated after charging:

	2022	2021
	£000	£000
Fees paid to auditor for:		
Annual audit of financial statements – current period	**18**	19

7. TAXATION

	2022	2021
	£000	£000
UK Corporation tax at 19% (2021: 19%)	**739**	320

The effective tax rate for the period of 19% (2021: 19%) is the same as the standard rate of corporation tax.

8. DIRECTORS AND EMPLOYEES

The Company had no employees during the year (2021: nil). Directors' emoluments are payable by the Immediate Parent Company and are not separately recharged to the Company.

9. LOANS TO BORROWERS

Amortised Cost	**2022** **£000**	2021 £000
Nominal amount at the beginning of the year	**770,000**	390,000
Unamortised premium at the beginning of the year	**92,780**	11,865
	862,780	401,865
Loans made during the year	**405,000**	380,000
Premium on new issues	**48,799**	82,846
Premium amortised during the year	**(3,356)**	(1,931)
Amortised cost at the end of the year	**1,313,223**	862,780
Less: premium due within one year	**(3,621)**	(2,398)
Non-current amortised cost	**1,309,602**	860,382
The amounts are repayable as follows:		
Between one and two years	**3,685**	2,440
Between two and five years	**11,600**	7,648
In five years or more	**1,294,317**	850,294
	1,309,602	860,382

10. OTHER RECEIVABLES

Falling due within one year	**2022** **£000**	2021 £000
Accrued interest	**929**	436
Net premium on loans due within a year	**3,621**	2,398
Inter-group receivables	**782**	1,240
Other receivables	**561**	93
	5,893	4,167

11. FINANCIAL LIABILITIES – SECURED NOTES

	2022	2021
Amortised Cost	**£000**	£000
Nominal amount at the beginning of the year	**770,000**	390,000
Unamortised premium at the beginning of the year	**92,780**	11,865
	862,780	401,865
Notes issued during the year	**575,000**	380,000
Premium on new issues	**65,500**	82,846
Less: premium amortised during the year	**(3,648)**	(1,931)
At the end of the year	**1,499,632**	862,780
Due within one year	**(3,993)**	(2,398)
Amount due after one year	**1,495,639**	860,382
The amounts are repayable as follows:		
Between one and two years	**4,067**	2,440
Between two and five years	**12,805**	7,648
In five years or more	**1,478,767**	850,294
	1,495,639	860,382

12. OTHER PAYABLES

	2022	2021
	£000	£000
Accrued interest	**9,798**	3,899
Premium interest provision on deferred notes	**3,176**	-
Net premium on secured notes due within a year	**3,993**	2,398
Other payables	**1,873**	730
	18,840	7,027

13. SHARE CAPITAL

	2022	2021
	£000	£000
Allotted, called up and quarter paid		
50,000 (2021: 50,000) ordinary shares of £1 each	**13**	**13**

The Company's capital comprises only its share capital which the directors consider adequate for the nature and scale of the Company's operations and the risks to which it is subject as set out in note 2: *Financial instruments – risk management & fair value hierarchy*. The Company is not subject to externally imposed capital requirements.

14. RESERVES

Retained earnings

This reserve relates to the cumulative profits and losses of the Company less dividends paid.

15. CONTRACTUAL CASH FLOWS

The table below summarises the cash flows payable by the Company until contractual maturity of all its secured notes as at 31 March 2022.

2022	**Within 1 Year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Contractual interest cash flows	**42,164**	**42,164**	**126,492**	**984,213**	**1,195,033**
Contractual principal cash flows	**-**	**-**	**-**	**1,345,000**	**1,345,000**
Total contractual cash flows	**42,164**	**42,164**	**126,492**	**2,329,213**	**1,450,922**

2021	Within 1 Year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000
Contractual interest cash flows	25,006	25,006	75,018	555,892	680,922
Contractual principal cash flows	-	-	-	770,000	770,000
Total contractual cash flows	25,006	25,006	75,018	1,325,892	1,450,922

All the above cash flows are substantially matched by cash flows receivable on the Company's loan assets.

At 31 March 2022, the Company had no undrawn loan commitments (2021: £145,000,000). Loan commitments are not recognised in the statement of financial position and are drawn down within one year.

16. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2022	2021
	£000	£000
Profit before taxation	**3,890**	1,682
Adjustments for:		
Interest receivable	**(29,113)**	(17,758)
Interest payable	**28,821**	17,758
Changes in working capital:		
(Increase) in receivables	**(10)**	(1,199)
Increase in payables	**1,143**	407
Cash generated from operations	**4,731**	890

17. RELATED PARTY TRANSACTIONS

All administrative services are provided to the Company by the Immediate Parent Company, under a management services agreement. Management fees payable during the year amounted to £1,189,936 (2021: £3,520,744). The amount due from the Immediate Parent Company as at 31 March 2022 was £782,184 (2021: due to THFCS £1,240,120).

During the year the directors of the Immediate Parent Company were also directors of the Company. The executive directors are employees of and paid by the Immediate Parent Company.

18. SEGMENTAL INFORMATION

Details of borrowers whose total interest payable to the Company exceeds 10% of the total interest receivable for the year are given below.

Borrower	**2022**	2021
	%	%
Platform Housing Group	**15**	23
Wales & West Housing Association Limited	**9**	14
Torus62 Limited	**9**	13
Wakefield and District Housing Association Limited	**9**	13
Other	**58**	37
Total	**100**	**100**

19. SECURITY OFFERED TO INVESTORS

The Company is a special purpose vehicle and the security offered to investors is limited only to the assets of the Company being principally the secured loans and share capital. The shareholders of the Company's parent cannot be held liable for the debts of the Company in the event of insolvency.

20. CASH SECURITY AND LIQUIDITY RESERVE FUNDS

Under certain circumstances, an element of the security for loans made to HAs can be cash. In those circumstances, the Company holds the cash security as trustee on behalf of the HA borrower. Generally, this occurs on loans which are drawn down prior to the completion of property security and for a period of time whilst property security is put in place. Throughout the life of a loan, cash can also be held on trust to cover the period between the release of a property from charge and a substitute property being found.

Under certain loan agreements borrowers are required to maintain a liquidity reserve fund equivalent to one year's worth of interest for the life of the loan. This is held on trust on behalf of the borrower.

In each case the trust and security arrangements are documented by a Cash Security Trust Deed or Liquidity Reserve Fund Trust Deed between the borrower, the Company (as lender) and the Company (as Trustee).

Cash flows relating to cash security and liquidity reserve funds are processed separately from the Company's own funds and invested only as directed by the borrower. Funds held by the Company as Trustee as at 31 March 2022 amounted to £84.7m (2021: £96.1m).

21. ULTIMATE PARENT UNDERTAKING AND INCORPORATION

The Company's immediate parent undertaking and controlling company is T.H.F.C. (Services) Limited which is incorporated and registered in England and Wales. The ultimate parent undertaking is The Housing Finance Corporation Limited ("THFC") which is a registered society incorporated under the Co-operative and Community benefit Societies Act 2014. THFC is the only company to prepare consolidated financial statements which include the Company. The consolidated financial statements of THFC may be obtained from the Company Secretary, 3rd floor, 17 St. Swithin's Lane, London, EC4N 8AL, the Company's registered office.

22. POST YEAR END EVENTS

On 4 May 2022 a further issue of secured notes was made amounting to a nominal value of £125,000,000 (of which) £15,000,000 was immediately on-lent to a borrower and £110,000,000 is held on a deferred basis.

On 27 June 2022 £30,000,000 of deferred notes were drawn down by a borrower.

On 21 July 2022 a further £10,000,000 of deferred notes were drawn down by another borrower.