BLEND FUNDING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

COMPANIES HOUSE NUMBER: 11352234

BLEND FUNDING PLC

Annual Report and Financial Statements for the year ended 31 March 2023

Contents

Secretary

J. Coetzee (Appointed 07 February 2023)
E. Hoareau

Company Number

11352234

Registered Office

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

STRATEGIC REPORT

The Directors present their Strategic Report, Directors' Report and audited financial statements of Blend Funding Plc (the "Company") for the year ended 31 March 2023.

The Strategic Report has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and covers matters relating to the Company's future developments and 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") and along with THFC's 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 ("HAs"). 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 2021. All series of Notes issued under the Programme are Social Bonds, with the exception of the 2061 series, which was issued as a Social Bond and converted to a Sustainability Bond following publication of the Sustainable Bond Framework.

The frameworks are aligned with the social housing sector's Sustainability Reporting Standard, the ICMA's Sustainability Bond Guidelines 2021, the Social Bond Principles 2021, and the Green Bond Principles 2021. They were also awarded the highest "Advanced" rating 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 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 over the medium-term.

In accordance with a Management Services Agreement ("MSA") entered into between the Company and its Immediate Parent Company, the latter provides staff, premises and other services to the Company to enable it to fulfil its obligations.

At the year end, the Company has issued £1.4 bn in secured and £0.1bn 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 programme and expects to do so for the forseeable future.

The Company derives income from two principal sources: annual fees accruing on the existing loan book and investment income on any cash balances. Annual fees receivable and payable are contractual and subject to indexation using the Consumer Prices Index.

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

	2023	2022
	£000	£000
Fees receivable & other income	**2,633**	4,793
Operating expenses	**1,587**	1,195
Profit after taxation	**857**	3,151
Secured notes	**1,616,559**	1,499,632
Retained earnings	**5,756**	4,899

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 12: Financial instruments – Fair value & Risk management.

FUTURE TRENDS

For a detailed analysis of the future trends 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.

DUTY TO PROMOTE THE SUCCESS OF THE COMPANY

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

The Company is required to comply with Section 172(1) of the Companies Act 2006. Section 172(1) is a part of the section of the Act which defines the duties of a Company Director and concerns the "duty to promote the success of the Company" for the benefit of its stakeholders whose interests are in the future success of the Company. Stakeholders include shareholders, employees, suppliers, and the local communities affected by the Company's activities.

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 regularly monitors the material risks to the Company and how they might impact on its long-term health. Key risks and their mitigants are detailed in note 12: Financial instruments – Fair value & Risk management.

The Company has funded itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees reflect the resources 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.

Culture and conduct

The Group's long-term sustainable success relies upon a healthy business culture and high standards of business and workplace conduct. The Group has in place several mechanisms to promote this. Further detail is in THFC's group accounts *'Culture and Conduct'* section located at: www.thfcorp.com.

Governance

The Company benefits from having ten independent non-executive Directors which enables independent constructive challenge. Detail on 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.

Interests of employees

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 T.H.F.C. (Services) Limited ("THFCS"), its Immediate Parent Company, in accordance with the MSA.

Diversity, equality and inclusion

The Company has adopted THFC's 'Diversity Equality and Inclusion' ("DEI") ambition.

Key initiatives undertaken include:

- DEI training sessions for all staff and Board members;
- A review of policies, procedures and structures to ensure these can support DEI ambitions;
- DEI focus groups and interviews engaging both staff and Board members on what good DEI practice should look like for the Group;
- The *'Nominations Committee'* undertakes an annual review of talent, to assess the composition of the Board and its Committees. See The Groups Corporate Governance Report in the Group accounts located at: www.thfcorp.com.

See the Group report at www.thfcorp.com for more detail.

Fostering business relationships

The Board is aware of the need to foster on-going business relationships to ensure the success of the business.

The Board ensures that THFCS, the Company's service provider and Immediate Parent Company, has the appropriate skill set amongst employees to allow for an operational structure that incorporates the following:

- Relationship Management (for liaison with borrowers to whom funds have been on-lent as well as potential new borrowers);
- Treasury (who maintain relationships with current and potential investors in the Company's bonds through regular updates and meetings);
- Finance (who manage relationships with suppliers and ensure the efficient collection and distribution of coupons between the borrower and investors (or their duly appointed agent));
- Secretarial (who manage compliance obligations with various stakeholders).

Long-term lending requires a constant focus on maintaining stakeholder relationships and the service provider has a wealth of experience in all relevant areas. This includes fostering close relationships with sector specialists, such as valuers, lawyers, accountancy firms, treasury advisers and maintaining close relationships with its investment banks and the investor community at large.

The Board receives regular presentations from key stakeholders as part of a 'Stakeholder Speaker Series'. This was introduced this financial year and allows the Board to develop its knowledge of the landscape in which the Company operates; ensures Board members are familiar with the Company's key stakeholders and their objectives; and provides an opportunity for the Company to strengthen these relationships.

Impact of operations on community and environment

The Board makes every effort to minimise its carbon footprint, aided by the move to new premises in 2019. THFC's Cycle to Work Scheme encourages staff to cycle for all or part of their commute to the office and effective recycling policies have been implemented to minimise office waste.

In delivering cost-effective funding to housing associations the Company aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK. The Company operates on a not-for-profit basis. Surpluses are therefore not distributable but retained for the greater good of the sector and the communities that it serves.

The Board ensures THFCS employees are aware of the changing landscape of regulation and best practice, whether environmental or social in nature. Every effort is made to consider the environmental impact of decisions taken, although due to the inherent nature of its activities the Company's direct environmental impact is limited.

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 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 second annual 'Funding Housing, Making Impact' report during the year, which was in line with the Sustainability Reporting Standard for Social Housing ("SRS") and reflected the progress of its bLEND borrowers;
- More detail on the Company's Environment, Social and Governance ("ESG") reporting and its Social Impact and Sustainability Reporting Standard disclosures can be viewed at: www.blendfundingplc.com/investorrelations/esg.

Maintaining reputation for high standards of business conduct

The Board operates the business responsibly and in line with good industry practice and the highest level of governance expected of a lending business and in so doing maintains an exceptional reputation amongst investors and borrowers alike. High levels of integrity are key in the success of our business and delivery of our objectives. This includes:

- A code of conduct 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 entire issued share capital of the Company is held by THFCS, the Immediate Parent Company, which also has a common Board. Each Director of the Immediate Company 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 27 July 2023 by:

JCoetzee

Julie Coetzee
Director

The Directors present their report together with the audited Financial Statements of Blend Funding Plc (the "Company") for the year ended 31 March 2023.

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

Non-Executive and Chair
George Blunden

Other Non-Executives
Scott Bottles
Peter Impey
Anthony King
David Montague
Gill Payne
Will Perry
Catherine Ryder (appointed 1 April 2022, resigned 17 February 2023)
Shirley Smith
Gail Teasdale (appointed 28 March 2023)
Guy Thomas

Chief Executive
Piers Williamson

Treasurer
Fenella Edge

Finance Director
Julie Coetzee (appointed 7 February 2023)
Ray Walker (appointed 24 May 2022, resigned 1 November 2022)
Colin Burke (resigned 24 May 2022)

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 (2022: nil).

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 (2022: nil).

FUTURE TRENDS

The Company's outline on future developments is set out within the Strategic Report.

STATEMENT IN RELATION TO SUPPLIERS, CUSTOMERS AND OTHERS

The Company's approach to fostering business relationships is set out within the Strategic Report.

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 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each Director in office at the date the Directors' report is approved:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) he/she has taken all the 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.

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.

CORPORATE GOVERNANCE

As an issuer of asset-backed securities (the issuer 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.

The administrator and its parent have established an organisational structure with clearly defined levels of authority and division of responsibility; a comprehensive system of budgeting and reporting; and policies and procedures relating to managing credit and liquidity risks. The Board of the Company monitors the application of this framework to the Company's financial reporting process.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Also, under the 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 UK-adopted 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; 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 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.

EVENTS AFTER THE REPORTING PERIOD

On 5 June 2023 £27,500,000 of deferred notes were drawn down by a borrower.

This report was approved by the Board of Directors and signed on its behalf on 27 July 2023 by:

Julie Coetzee
Director

Opinion

We have audited the financial statements of Blend Funding Plc (the 'Company') for the year ended 31 March 2023 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 UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 pages 7 to 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 experts.

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. 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

27 July 2023

BLEND FUNDING PLC

STATEMENT OF COMPREHENSIVE INCOME
For the Year ended 31 March 2023

	Note	**2023**	2022
		£000	£000
OPERATING INCOME			
Interest income on loans		**40,855**	32,469
Premium amortised on loans	5	**(3,943)**	(3,358)
Discount amortised on loans	5	**15**	2
Other interest		**471**	3
Fees receivable		**2,162**	4,790
		39,560	33,906
OPERATING EXPENDITURE			
Interest expense		**46,140**	34,248
Premium amortised on borrowings	7	**(4,005)**	(3,652)
Discount amortised on borrowings	7	**65**	4
Accelerated premium amortisation on deferred loans		**(5,285)**	(1,779)
Administration expenses		**1,587**	1,195
		38,502	30,016
PROFIT BEFORE TAXATION		**1,058**	**3,890**
Taxation	4	**(201)**	(739)
PROFIT AFTER TAXATION		**857**	3,151
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**857**	3,151

BLEND FUNDING PLC

STATEMENT OF FINANCIAL POSITION
At 31 March 2023

		2023	2022
ASSETS	Note	**£000**	£000
Non-current assets			
Loans receivable	5	**1,532,314**	1,309,602
Current assets			
Loans receivable	5	**4,039**	3,621
Trade and other receivables	6	**3,273**	2,272
Short term deposits		**88,362**	189,224
Cash and cash equivalents		**11,045**	15,393
TOTAL ASSETS		**1,639,033**	1,520,112
EQUITY AND LIABILITIES			
Non-current liabilities			
Financial liabilities – secured notes	7	**1,612,538**	1,495,639
Current liabilities			
Financial liabilities – secured notes	7	**4,021**	3,993
Trade and other payables	8	**16,641**	14,847
Current tax liabilities		**64**	721
TOTAL LIABILITIES		**1,633,264**	1,515,200
Equity			
Share capital	9	**13**	13
Retained earnings		**5,756**	4,899
TOTAL EQUITY		**5,769**	4,912
TOTAL EQUITY AND LIABILITIES		**1,639,033**	1,520,112

The Financial Statements on pages 13 to 31 were approved by the Board of Directors on 27 July 2023 and signed on its behalf by:

Piers Williamson
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2023

2023	**Called up Share Capital £000**	**Retained Earnings £000**	**Total Equity £000**
At beginning of year	**13**	**4,899**	**4,912**
Profit for the year	**-**	**857**	**857**
At end of year	**13**	**5,756**	**5,769**
2022			
At beginning of year	13	1,748	1,761
Profit for the year	-	3,151	3,151
At end of year	13	4,899	4,912

STATEMENT OF CASH FLOWS
Year ended 31 March 2023

NET CASH FLOW FROM OPERATING ACTIVITIES	Note	2023 £000	2022 £000
Cash generated from operations as per reconcilation of profit to net cash generated from operations	11	**2,102**	4,731
Adjustments for:			
Interest paid on borrowings		**(44,319)**	(28,350)
Interest received on loans		**39,959**	31,976
Premium received on deferred notes		**4,096**	4,953
New loans		**(227,057)**	(453,799)
New borrowings		**120,867**	640,500
Tax paid		**(858)**	(256)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		**(105,210)**	**199,755**
Increase / (decrease) in short term deposits		**100,862**	(189,223)
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES		100,862	**(189,223)**
MOVEMENT IN THE YEAR		**(4,348)**	10,532
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**15,393**	4,861
CASH AND CASH EQUIVALENTS AT END OF YEAR		**11,045**	**15,393**

1. GENERAL INFORMATION

Blend Funding Plc ("the Company") raises debt for the purpose of on-lending to non-profit registered providers of social housing, registered social landlords and registered housing associations ("HAs"), in England, Wales, Scotland and Northern Ireland. The Company is a public limited company registered and domiciled in England and Wales. The address of the registered office is 3rd Floor, 17 St. Swithin's Lane, London, EC4N 8AL.

2. ACCOUNTING POLICIES

a) Significant accounting policies

The accounting policies applied in the preparation of the financial statements of the Company are described in this note. These policies have been consistently applied to all years presented unless otherwise stated.

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 UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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.

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.

Critical accounting judgements
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.

ACCOUNTING POLICIES (continued)

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 the amount an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, (known as "fair value") but may be subsequently amortised if held at amortised cost.

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.

For further disclosure on fair values, see note 12: Financial instruments – Fair value & Risk management.

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 5: Loans receivable and 7: Financial liabilities – Borrowings.

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.

Reclassification
The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

ACCOUNTING POLICIES (continued)

Derecognition
Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- The Company transfers substantially all the risks and rewards of ownership; or
- The Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial liabilities are derecognised when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

Loans receivable
Loans to borrowers represent monies lent to non-profit UK Registered Providers of Social Housing HAs under loan agreements and 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. 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 non-profit 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.

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.

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.

Trade and other receivables
Other receivables are amounts due to the Company in the ordinary course of business and recognised at transaction price and are subsequently measured at amortised cost. If collection is expected in within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and 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 recognised initially at fair value and subsequently measured at amortised cost.

ACCOUNTING POLICIES (continued)

Collateral for loans
Collateral, unless subject to enforcement, is not recorded on the Company's Statement of Financial Position. However, the value of collateral affects the calculation of expected credit losses. Collateral arrangements are described in note 12: Financial instruments – Fair value & Risk management.

Taxation
Corporation taxation payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using tax rates (and laws) that have been enacted by the balance sheet date.

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

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. Other relevant segmental information is given in note 18: Segmental information.

Interest
Interest receivable on loans to HAs, 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.

Other interest
Interest income on cash and cash equivalents as well as short-term deposits is recognised on an accruals basis.

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)

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 2023, but were adopted early by the Company in the current year:

- 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 an accounting estimate arises from new information or new developments and is applied prospectively. A change in an accounting estimate differs from a correction of a prior period error, with the latter arising from information which should have been known at the prior period end.

The amendment is effective for financial periods beginning on or after 1 January 2023, with early application permitted.

- 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. For example, an accounting policy may be considered material if:

    - it relates to a complex area of accounting and the users of the financial statements would not understand the related transactions, events, or balances without information on the accounting policy;
    - it has changed during the period with a material impact;
    - it was chosen from alternatives permitted by IFRS Standards;
    - where an accounting policy is developed in accordance with IAS 8, in the absence of specific guidance in IFRS Standards;
    - it relates to an area of the financial statements involving significant judgements and assumptions.

The changes are applied prospectively. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2023, with early application permitted. As the guidance per IFRS Practice Statement 2 is not mandatory, no effective date is issued.

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.

ACCOUNTING POLICIES (continued)

c) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2022 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

- 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, subject to endorsement in the EU and UK.

- Amendments to IAS 1: Non-current Liabilities with Covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Therefore, where a covenant based on the entity's financial position at the reporting date is assessed for compliance after the reporting date, the rights in existence at the reporting date are assessed when determining whether the liability is current or non-current.

The amendments are effective for periods beginning on or after 1 January 2024 and are applied retrospectively. These amendments are subject to endorsement in the EU and UK and are applied with the amendments to IAS 1 – Classification of Liabilities as Current or Non-current.

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.

3. ADMINISTRATION EXPENSE

The Company employed no staff during the year. All administrative services, including audit and Directors' services, are provided under a management agreement with T.H.F.C. (Services) Limited ("THFCS").

The fee for auditing the Company's financial statements included in the management fee amounted to £14,952 (2022: £18,250).

4. TAXATION

	2023	2022
	£000	£000
UK Corporation tax at 19% (2022: 19%)	**201**	739

The effective tax rate for the period of 19% (2022: 19%) is the same as the standard rate of corporation tax.

5. LOANS RECEIVABLE

2023	Nominal Value	Loan Premium	Loan Discount	Carrying Value
	£000	**£000**	**£000**	**£000**
At beginning of year	**1,175,000**	**138,464**	**(241)**	**1,313,223**
New issues	**212,500**	**15,476**	**(919)**	**227,057**
Amortisation in year	**-**	**(3,943)**	**15**	**(3,928)**
Total	**1,387,500**	**149,997**	**(1,145)**	**1,536,352**
Ageing of loans to borrowers				
Due within 1 year	**-**	**4,055**	**(16)**	**4,039**
Due after 1 year	**1,387,500**	**145,942**	**(1,129)**	**1,532,313**
Total	**1,387,500**	**149,997**	**(1,145)**	**1,536,352**

2022	Nominal Value	Loan Premium	Loan Discount	Carrying Value
	£000	£000	£000	£000
At beginning of year	770,000	92,780	-	862,780
New issues	405,000	49,042	(243)	453,799
Amortisation in year	-	(3,358)	2	(3,356)
Total	1,175,000	138,464	(241)	1,313,223
Ageing of loans to borrowers				
Due within 1 year	-	3,623	(2)	3,621
Due after 1 year	1,175,000	134,841	(239)	1,309,602
Total	1,175,000	138,464	(241)	1,313,223

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.

Details of the security held are set out in note 12: Financial instruments – Fair value & Risk management.

6. TRADE AND OTHER RECEIVABLES

	2023	2022
	£000	£000
Interest receivable on loans	**1,825**	929
Other receivables	**648**	561
Intercompany debtors	**800**	782
	3,273	2,272

7. FINANCIAL LIABILITIES – BORROWINGS

Secured notes

2023	Nominal Value	Loan Premium	Loan Discount	Carrying Value
	£000	**£000**	**£000**	**£000**
At beginning of year	**1,345,000**	**155,216**	**(584)**	**1,499,632**
New issues	**125,000**	**-**	**(4,133)**	**120,867**
Amortisation in year	**-**	**(4,005)**	**65**	**(3,940)**
Total	**1,470,000**	**151,211**	**(4,652)**	**1,616,559**
Ageing of secured notes				
Due within 1 year	**-**	**4,094**	**(73)**	**4,021**
Due after 1 year	**1,470,000**	**147,117**	**(4,579)**	**1,612,538**
Total	**1,470,000**	**151,211**	**(4,652)**	**1,616,559**

2022	Nominal Value	Loan Premium	Loan Discount	Carrying Value
	£000	£000	£000	£000
At beginning of year	770,000	92,780	-	862,780
New issues	575,000	66,088	(588)	640,500
Amortisation in year	-	(3,652)	4	(3,648)
Total	1,345,000	155,216	(584)	1,499,632
Ageing of secured notes				
Due within 1 year	-	4,005	(12)	3,993
Due after 1 year	1,345,000	151,211	(572)	1,495,639
Total	1,345,000	155,216	(584)	1,499,632

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. Details of the collateral and security held are set out in note 12: Financial instruments – Fair value & Risk management.

8. TRADE AND OTHER PAYABLES

	2023	2022
	£000	£000
Interest payable on secured notes	**11,619**	9,798
Accruals	**912**	674
Other payables	**1,315**	1,199
Premium interest provision on deferred notes	**1,988**	3,176
Intercompany creditors	**807**	-
	16,641	14,847

9. SHARE CAPITAL

	2023	2022
	£000	£000
Allotted, called up and one quarter paid		
50,000 (2022: 50,000) ordinary shares of £1 each	**13**	13

Management of capital

The Company's capital comprises only its share capital and reserves which the Directors consider adequate for its ongoing working capital requirements. The Company is not subject to externally imposed capital requirements.

10. RESERVES

Retained earnings

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

11. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2023	2022
	£000	£000
PROFIT BEFORE TAXATON	**1,058**	3,890
Adjustments for:		
Interest income on loans	**(36,927)**	(29,113)
Interest expense on borrowings	**36,915**	28,821
(Increase) in other receivables	**(105)**	(10)
Increase in other payables	**1,161**	1,143
NET CASH GENERATED FROM OPERATING ACTIVITIES	**2,102**	**4,731**

12. FINANCIAL INSTRUMENTS – FAIR VALUE & RISK MANAGEMENT

FAIR VALUE

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 (2022: None).

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 ratings 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 2023 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.

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

	2023 Carrying Value £000	2023 Fair Value £000	2022 Carrying Value £000	2022 Fair Value £000
Financial assets				
Classified as loans & receivables				
Loans				
Non-current	**1,532,314**		1,309,602	
Current	**4,039**		3,621	
Total	**1,536,353**	**1,003,226**	1,313,223	1,219,232
Interest receivable	**1,825**	**1,825**	929	929
Sundry receivables	**1,448**	**1,448**	1,343	1,343
Total financial assets	**1,539,626**	**1,006,499**	1,315,495	1,221,504
Financial liabilities				
Classified as financial liabilities & payables				
Borrowings				
Non-current	**1,612,538**		1,495,639	
Current	**4,021**		3,993	
Total	**1,616,559**	**1,056,371**	1,499,632	1,360,315
Interest payable	**11,619**	**11,619**	9,798	9,798
Other payables	**3,034**	**3,034**	1,873	1,873
Total financial liabilities	**1,631,212**	**1,071,024**	1,511,303	1,371,986

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.

(a) Interest rate risk

The Company raises funds with a variety of loan structures however they all adhere to the same fundamental principle that funds are on-lent on a substantially identical maturity, interest and repayment profile thus ensuring that no material mis-match risk is taken in interest rate movements. The form of all loan agreements (including provisions for setting of interest rates) is approved by the Board.

The Company is subject to interest rate risk on its investment income arising on its surplus cash balances, but this is not regarded as significant. Investment income in the year was £470,761 (2022: £6,600).

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.

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

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 value what would be achieved if they were to be sold before maturity.

The weighted average interest rate on both fixed financial liabilities and fixed financial assets is 3.162% (2022: 2.546%). The weighted average period for which interest rates are fixed is 28.02 (2022: 28.46) years.

(b) 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 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 2023 (2022: None).

The Programme has been assigned a Moody's rating of "A2" (2022: "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.

(c) Collateral 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.

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

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.

(d) 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 7: Financial liabilities – borrowings

(e) Fair value 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.

A table of the Company's contractual cashflows payable until maturity of the notes in issue is given in note 13.

(f) Currency risk

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

(g) 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 The Housing Finance Corporation Limited ("THFC") that is designed to prevent any operational risk incident having a material adverse impact on normal business operations. This policy is reviewed by THFC's third-party internal auditors, on a three-year cycle, who have rated the policy as providing a significant level of assurance.

13. 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 2023.

2023	**Due within one year**	**Due within one to two years**	**Due within two to five years**	**Due in over five years**	**Total 2023**
	£000	**£000**	**£000**	**£000**	**£000**
Principal	**-**	**-**	**-**	**1,470,000**	**1,470,000**
Interest	**46,549**	**46,549**	**139,646**	**1,071,396**	**1,304,140**
Total	**46,549**	**46,549**	**139,646**	**2,541,396**	**2,774,140**

2022	Due within one year	Due within one to two years	Due within two to five years	Due in over five years	Total 2022
	£000	£000	£000	£000	£000
Principal	-	-	-	1,345,000	1,345,000
Interest	42,164	42,164	126,492	984,213	1,195,033
Total	42,164	42,164	126,492	2,329,213	2,540,033

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

At 31 March 2023, the Company had no undrawn loan commitments (2022: nil). Loan commitments are not recognised in the statement of financial position and are drawn down within one year.

14. 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 £1,566,566 (2022: £1,189,936). The amount due to the Immediate Parent Company as at 31 March 2023 was £806,582 (2022: £782,184). The amount due from the Ultimate Parent Company as at 31 March 2023 was £800,000 (2022: £Nil).

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.

15. ULTIMATE PARENT UNDERTAKING AND INCORPORATION

The Company's Immediate Parent undertaking is THFCS which is incorporated and registered in England and Wales. The Ultimate Parent undertaking and controlling party is 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.

16. 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.

17. 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 2023 amounted to £120.7m (2022: £84.7m).

18. SEGMENTENTAL INFORMATION

The Company has one borrower where the total interest payable to the Company was greater than 10%. In 2023 this percentage was 13% (2022: 15%).

19. EVENTS AFTER THE REPORTING PERIOD

On 5 June 2023 £27,500,000 nominal of a loan was drawn down by a borrower.