BLEND FUNDING PLC

Annual Report

For the year ended 31 March 2021

Companies House Number: 11352234

BLEND FUNDING PLC

Annual Report for the year ended 31 March 2021

Contents

Page:

Directors

G. Blunden
S. Bottles
C. Burke
F. Edge
K. Exford CBE
G. Payne
W. Perry
D. Shackleton CBE
S. Smith (appointed 28 July 2020)
G. Thomas
A. King
D. Montague
P. Impey (appointed 19 May 2020)
P. Williamson

Company Secretary

C. Burke

Registered Office

3rd Floor
17 St. Swithin's Lane
London
EC4N 8AL

Company Number

11352234

Independent Auditors

Nexia Smith & Williamson Audit Limited
Chartered Accountants and Statutory Auditor
25 Moorgate
London
EC2R 6AY

DIRECTORS' REPORT
Year ended 31 March 2021

The directors submit their directors' report, strategic report and audited financial statements for the year ended 31 March 2021.

RESULTS AND DIVIDEND

Blend Funding Plc (the "company") made a profit after tax for the year of £1,362,000 (2020: £191,000).

The company issues notes under a Secured Euro Medium Term Note Programme as outlined in more detail in the strategic report. A total of £380,000,000 (2020: £110,000,000) of notes were issued during the year, with a further £185,000,000 (2020: £nil) retained/deferred notes issued earning arrangement fees of £4,520,000 and generating additional annual fees of £565,000 per annum.

Total loans outstanding at 31 March 2021 was £770,000,000 (2020: £390,000,000). Further loans of £183,000,000 have been made since the year end including £10,000,000 retained bonds, funded by 4 further issues of notes, the company now lends to a total of 15 housing association borrowers.

The directors did not declare a cash dividend for the year (2020: £500,000).

The directors consider the position of the company at the year-end to be satisfactory.

SHARE CAPITAL AND COMPANY STRUCTURE

Blend Funding Plc is a public limited company incorporated and domiciled in England and Wales. The entire issued share capital of the company is owned by T.H.F.C. (Services) Limited.

DIRECTORS

The directors of the company who served throughout the year and up to the date of signing the financial statements were:

George Blunden
Scott Bottles
Colin Burke
Fenella Edge
Keith Exford CBE (resigned 28 July 2020)
Gill Payne
Will Perry
Shirley Smith (appointed 28 July 2020)
Deborah Shackleton CBE (resigned 28 July 2020)
Guy Thomas
Anthony King
David Montague
Peter Impey (appointed 19 May 2020)
Piers Williamson

CORPORATE GOVERNANCE

As an issuer of asset-backed securities (the secured notes), the operations of the company are conducted by an administrator, T.H.F.C. (Services) Limited, 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.

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 AUDITORS

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 auditors are 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 auditors are 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 by:

Colin Burke
Director
27 July 2021

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 (HAs") through the issue of notes under a Secured Euro Medium Term Note Programme established on 8 August 2018. The maximum aggregate principal amount of all Notes from time to time outstanding under the Programme will not exceed £2bn. All secured notes issued under the programme are ultimately secured on the borrowings of the HAs.

On 14 September 2018 the company made an initial issue of Secured Notes to a nominal value of £250,000,000. The proceeds of the net nominal notes issued, £250,000,000, were on lent to borrowers on terms that ensured the company was not exposed to any risk on changes of interest rates. A second issue of Secured Notes to a nominal value of £50,000,000 was made on 8 March 2019. £20,000,000 of these notes were retained by the issuer to finance further loans to HA borrowers at a later date. In the year ended 31st March 2020 a further £90,000,000 of Secured Notes were issued. In the year ended 31st March 2021 a further £380,000,000 of Secured Notes were issued and a further £185,000,000 was committed in retained/deferred notes.

The proceeds were on lent or committed to the HAs noted below:

ATEB Group Limited
Cardiff Community Housing Association Limited
Cobalt Housing Limited
Hightown Housing Association Limited
Leeds Federated Housing Association Limited
Platform Housing Group
Newport City Homes Housing Association Limited
Ongo Homes Limited
Regenda Limited
Rooftop Housing Association Limited
Silva Homes Limited
Torus62 Limited
Wakefield and District Housing
Wales & West Housing Association Limited
Walsall Housing Group Limited

The majority of the company's operating costs, net of interest earned, are recoverable from the borrowers.

In accordance with a Management Services Agreement entered into between the company and T.H.F.C. (Services) Limited, the latter provides staff premises and other services to the company to enable it to fulfil its obligations.

Neither T.H.F.C. (Services) nor the issuer undertake any credit due diligence on the borrowers, but will ensure that all borrowers go through a rating assessment process by Moody's sufficient to establish and maintain a rating on the secured notes.

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company has fulfilled its obligations under the notes and expects to do so for the forseeable future. Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

As the Coronavirus pandemic continues to impact businesses nationwide, the company's key concern is that its borrowers are able to continue to satisfy their obligations under their respective loan agreements. There are a number of key areas where the pandemic could potentially affect the cash flows of borrowers and impact their ability to service debt with the principal one being the ability of tenants to continue to pay rent.

The company has assessed the likely impact of the coronavirus pandemic on its business operations and finances (see note 2) and concluded that this will not have a material impact on going concern.

The directors consider the position of the company at the year-end to be satisfactory.

FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties facing the company relate to financial risks. The key financial risks of the company and how they are mitigated are explained in note 4.

SECTION 172(1) STATEMENT

Long-term consequences of decisions made

The board's objective is to promote steady, sustainable growth in order to have a long-term beneficial impact on the company and the wider affordable housing sector through the delivery of cost-effective funding to UK housing associations.

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.

All material lending, future lending commitments and other decisions are made with this in mind and we aim to grow in a measured way balancing the risks inherent in long-term lending against the resources of the company. Borrowers' performance is monitored regularly to ensure obligations are met on an ongoing basis.

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.

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 4 to the financial statements.

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 Blend by T.H.F.C. (Services) Limited (THFCS), a fellow subsidiary, in accordance with a corporate services agreement.

The health and safety of board members is of paramount importance particularly in the current pandemic. Accordingly, all necessary measures have been taken in accordance with government guidance to ensure their safety and well-being. The board has ensured that THFCS has undertaken the necessary risk assessment and implemented appropriate measures for a potential return to the London based office when official guidance permits.

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 service provider, has the appropriate skill set amongst employees to allow for an operational structure that incorporates 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)) and Secretarial who manage compliance obligations with various stakeholders.

Lending requires a constant focus on maintaining stakeholder relationships and the service provider has a wealth of experience in all relevant areas. THFCS fosters close relationships with sector specialists, such as valuers, lawyers, accountancy firms, treasury advisers and also maintains close relationships with its investment banks and the investor community at large.

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. Staff of the service provider are encouraged 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 board aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK. T.H.F.C. Group operates on a not-for-profit basis. Distributions paid by Blend to the Parent Company are held for the greater good of the sector and the communities that it serves.

The board ensures the service provider's 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 nature of its activities the company's direct environmental impact is limited.

Maintaining reputation for high standards of business conduct

The board operates the business responsibly and in line with the 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.

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 Blend is held by T.H.F.C. (Services) Limited. THFCS and Blend have common board membership. Each director of the holding 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 by:

Colin Burke
Director
27 July 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BLEND FUNDING PLC
Year ended 31 March 2021

Opinion

We have audited the financial statements of Blend Funding Plc (the 'company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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 2021 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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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 2, 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 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 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 of manual journal entries, selected based on specific risk assessments applied based on the client processes and controls surrounding manual journals.

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.

Nexia Smith & Williamson

Guy Swarbreck
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

28 July 2021

BLEND FUNDING PLC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2021

	Note	2021 £000	2020 £000
OPERATING INCOME			
Interest receivable	5	**17,758**	11,166
Fees receivable and other income	2	**5,217**	1,090
		22,975	12,256
OPERATING EXPENDITURE			
Interest payable	6	**17,758**	11,166
Operating expenses	7	**3,535**	854
		21,293	12,020
PROFIT BEFORE TAXATION	8	**1,682**	236
Taxation	9	**(320)**	(45)
Profit after taxation		**1,362**	191
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME		**1,362**	191

STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

ASSETS	Note	2021 £000	2020 £000
Non-current assets			
Loans to borrowers	11	**860,382**	401,498
Current assets			
Other receivables	12	**4,167**	871
Cash and cash equivalents		**4,861**	926
TOTAL ASSETS		**869,410**	403,295
EQUITY AND LIABILITIES			
Non-Current liabilities			
Financial liabilities – Secured Notes	13	**860,382**	401,498
Current liabilities			
Other payables	14	**7,027**	1,353
Current tax liabilities		**240**	45
TOTAL LIABILITIES		**867,649**	402,896
EQUITY			
Share capital	15	**13**	13
Retained earnings	16	**1,748**	386
TOTAL EQUITY		**1,761**	399
TOTAL EQUITY AND LIABILITIES		**869,410**	403,295

The accompanying notes on pages 15-32 are an integral part of these financial statements.

These financial statements on pages 11-32 were approved by the board and signed on its behalf by:

Fenella Edge
Director
27 July 2021

Blend Funding Plc **Registration Number 11352234**

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2021

	Called Up Share Capital	Retained Earnings	Total Equity
	£000	£000	£000
Balance as at 1 April 2020	**13**	**386**	**399**
Profit for year	**-**	**1,362**	**1,362**
Other comprehensive income	**-**	**-**	**-**
Balance as at 31 March 2021	**13**	**1,748**	**1,761**

	Called Up Share Capital	Retained Earnings	Total Equity
Balance as at 1 April 2019	13	695	708
Profit for year	-	191	191
Dividend paid	-	(500)	(500)
Other comprehensive income	-	-	-
Balance as at 31 March 2020	13	386	399

STATEMENT OF CASH FLOWS
Year ended 31 March 2021

NET CASH FLOW FROM OPERATING ACTIVITIES	Note	2021 £000	2020 £000
Cash generated from operations	19	**890**	338
Interest paid on borrowings		**(16,453)**	(10,983)
Interest received on loans		**19,623**	11,276
Loans advanced		**(462,846)**	(122,069)
Net proceeds from issue of notes		**462,846**	122,069
Tax paid		**(125)**	(78)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**3,935**	553
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**-**	(500)
NET CASH USED IN FINANCING ACTIVITIES		**-**	(500)
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**3,935**	53
CASH AND CASH EQUIVALENTS AT 1 APRIL		**926**	873
CASH AND CASH EQUIVALENTS AT 31 MARCH		**4,861**	926

1. GENERAL INFORMATION

Blend Funding Plc (the "company") provides finance to registered providers of social housing, registered social landlords and registered housing associations, in England, Wales, Scotland and Northern Ireland (HAs"). The company is a public limited company which raises funding through issuing Secured Notes listed on the International Securities Market of the London Stock Exchange. It is incorporated and domiciled in the England and Wales. The address of the registered office is 3rd Floor, 17 St. Swithin's Lane, London, EC4N 8AL.

It is the intention that, on occasions 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 into the market to fund further loans.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements of the company are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

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.

Going Concern

Given the uncertainties around Covid-19, the company has assessed the likely impact of the ongoing coronavirus pandemic on its business operations and finances.

The company has made loans to registered providers of social housing and its viability is dependent on the ongoing receipt of interest and principal from its borrowers in accordance with their respective loan agreements thereby ensuring that the company is able to meet its obligations under the terms of its funding arrangements in addition to covering operating costs.

The company has concluded that there are sufficient mitigants in place to ensure there is no material impact on its borrowers' businesses such that they would encounter difficulty in meeting their loan obligations. These mitigants include government measures to support tenant incomes, the high proportion of tenant rental income payable by housing benefit and the strong liquidity position of the sector in general.

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.

In accordance with the terms of a corporate services agreement, all operations of the company are provided by T.H.F.C. (Services) Limited (THFCS) a fellow subsidiary entity.

As such, the Board has a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing the Financial Statements.

Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the company

In the current year, the following new and amended Standards and Interpretations have been adopted by the company:

- Amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures in response to interest rate benchmark reform and the impact on financial reporting. The following amendments have been issued.
    - 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.
    - Hedge accounting – a company will not be required to discontinue hedge accounting solely due to the reform, provided other hedge accounting criteria is met.
    - 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.
- Amendments to IAS 1 and IAS 8: Definition of Material. Effective for periods beginning on or after 1 January 2020. The amendments to both IAS 1 and IAS 8 refine the definition of 'material' and clarify its application. The amendments improve understanding of the existing requirements, but because they are based on existing guidance, they do not significantly affect how materiality judgements are made in practice or significantly affect entities' financial statements.
- Conceptual Framework for Financial Reporting. Effective for periods beginning on or after 1 January 2020. The amendments build upon the existing Conceptual Framework to provide a comprehensive set of concepts for financial reporting. There have been new concepts added for measurement, presentation and disclosure and derecognition. Updated concepts for definitions and recognition and clarifications to concepts for stewardship, measurement uncertainty, substance over form and the return of a clarified concept of prudence.

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 additional disclosure requirements.

(b) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 April 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.

(c) New and amended Standards and Interpretations issued but not mandatory for the financial year beginning 1 April 2021.

- Conceptual Framework for Financial Reporting. This amendment references to the currently extant Conceptual Framework rather than version of the Conceptual Framework in existence when IFRS 3 was developed. Additionally, the amendment refers companies to IAS 37

Provisions, Contingent Liabilities and Contingent Assets instead of the Conceptual Framework to determine what constitutes a liability as the conceptual framework has a broader definition. The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted once endorsed.

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

  The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2022, with early application permitted once endorsed.

  The amendments are effective 1 January 2022 and early application is permitted once endorsed. The amendments would only apply retrospectively in certain circumstances.
- 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 amendments are effective from 1 January 2023 and shall be applied retrospectively, with early application permitted once endorsed.

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.

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/discount on issue is added to/deducted from the original loan amount or secured notes' nominal value using the effective interest rate method and charged/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 premiums/discounts, gives a constant yield to maturity.

Fees and premiums receivable

Fees receivable and other income comprise arrangement fees payable on completion of loan transactions, annual fees for the ongoing service provided to borrowers and premiums receivable on completion of loan prepayment transactions. All fees receivable are charged in line with contractual arrangements.

Fees are measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the borrower is one year or less then no adjustment for a financing component has been made.

Arrangements fees and premiums receivable are recognised on the completion of the transaction with the borrower.

Annual fees for the ongoing service provided to borrowers is recognised over the period in which the services are provided.

Financial instruments

Initial recognition and measurement

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

Financial assets and financial liabilities are initially measured at fair value. 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 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.

Financial assets

Classification and measurement

The company applies IFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVPL); or
- fair value through other comprehensive income (FVOCI); or
- amortised cost.

The classification requirements for debt instruments are described below. Classification and subsequent measurement of debt instruments depend on:

1) the company's business model for managing the asset; and
2) the cash flow characteristics of the asset ("SPPI test").

1) *Business model*: The business model reflects how the company manages the assets in order to generate cash flows. That is, whether the company's objective is:

- solely to collect the contractual cash flows from the assets ("Hold to collect"); or
- to collect both the contractual cash flows and cash flows arising from sale of the assets ("Hold to collect and sell"); or
- neither of these ("Other").

Factors considered by the company in determining the business model for a group of assets include past experience of how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, the likely future experience of cash flows, and how credit risks are assessed and managed.

2) *SPPI test*: Where the business model is "Hold to collect" or "Hold to collect and sell", the company assesses whether the financial instruments' contractual cash flows represent solely payment of principal and interest on that principal ("SPPI"). In making this assessment, the company considers whether those cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks that are consistent with a basic lending arrangement) or reflect exposure to risk or volatility that are inconsistent with a basic lending arrangement.

Based on these factors, the company classifies its debt instruments into one of the measurement categories detailed above. All of the company's financial assets have been assessed as falling within a "Hold to collect" business model whose contractual cash flows are SPPI and therefore measured at amortised cost.

Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest rate method, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of an asset.

Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount of the financial asset and is included in the statement of comprehensive income within 'operating income'.

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.

The company holds the following debt instrument under financial assets:

Loans receivable

Loans receivable represent monies lent to HAs under the terms of a loan agreement 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.

Undrawn loan commitment

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 it's "Hold to Collect" business model, the loan commitment is not recognised in the statement of financial position.

Cash and bank balances

Cash and cash equivalents comprise cash balances that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other receivables

Other receivables are recognised at transaction price and are subsequently measured at amortised cost.

Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with any debt instruments carried at amortised cost and any undrawn loan commitments. The company may recognise a loss allowance (or provision for undrawn loan commitments) for such losses at each reporting date.

IFRS 9 permits the use of models for estimating expected losses that do not require explicit scenario and probability analysis. The directors are of the opinion that historical average credit loss experience in relation to the loans and undrawn loan commitments is a reasonable estimate of the probability-weighted amount.

The IFRS 9 impairment model has three stages – Stage 1, Stage 2 and Stage 3 (default).

The company may recognise a 12-month expected credit loss allowance (or provision for undrawn loan commitments) on initial recognition (stage 1) and a lifetime expected loss allowance (or provision for undrawn loan commitments) when there has been a significant increase in credit risk (stage 2) that would no longer render the instrument low risk. Stage 3 requires objective evidence that an asset is credit impaired.

The measurement of ECL of the loans reflects:

(a) The loss experience of the company in relation to its loans;
(b) reasonable and supportable information on the social housing sector that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of the future operating environment; and
(c) Performance of the borrower in relation to the drawn loans.

The company operates within a loss free sector and all fifteen borrowers have complied with their obligations under their respective loan agreements since inception. To be eligible for funding all borrowers have to meet a pre-requisite high quality investment grade rating assigned by Moody's.

For these reasons the company does not use a complex expected loan loss model and bases its assessment of 12-month expected credit loss solely on its loss experience to date also the fact that there are no material indicators of future losses.

Management's view therefore is that the calculation of expected credit loss for the company's loans and undrawn loan commitments is zero.

Management monitor the performance of the borrowers only in relation to payment and covenant obligations contained in each borrower's loan agreement.

Collateral arrangements are described in note 4.

Significant Increase in Credit Risk (movement from stage 1 to stage 2)

The company has identified a number of early warning indicators (EWIs) 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.

EWIs include but are not restricted to, the following:

(a) Borrower's annual financial statements carry an auditor's qualification;
(b) Government or regulatory action which negatively impacts on the borrower's business;
(c) Down grade of the borrower to below investment grade rating;
(d) Payment of interest and capital after due date for other than operational reasons.

Definition of default (movement to stage 3)

The company has 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:

(a) payment default;
(b) cross default;
(c) breach of covenant(s).

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

Classification and measurement

Financial liabilities are recognised where the substance of the contractual arrangement results in the company having an obligation to either deliver cash or another financial asset to the holder.

Financial liabilities include borrowings and other payables.

Initial recognition and subsequent measurement

Financial liabilities (other than derivatives) are initially recognised at the fair value of consideration less directly attributable net transaction costs and subsequently at amortised cost using the effective interest rate method. 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.

Derecognition

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

Equity

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

Dividends Paid

The company's dividend policy is to maximise distribution to its shareholder whilst maintaining a minimum cash reserve of £200,000.

Fair Values

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.

Quoted market prices – Level 1

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.

Valuation technique using observable inputs – Level 2

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.

Valuation technique using significant unobservable inputs – Level 3

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 (2020: 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 rating of the loans are dependent on that of the borrowers.

Prepayment

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 housing association 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.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

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 21.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with international accounting standards requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions are significant to the consolidated financial statements are:

Critical accounting judgement

Impairment of loans to borrowers and undrawn loan commitments (Note 11)

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.

4. FINANCIAL RISK MANAGEMENT

The company's operations and significant debt financing expose it to a variety of potential financial risks including interest rate risk, credit risk, liquidity risk, fair value and market price risk and currency 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 2021 (2020: None).

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

The Programme has been assigned a Moody's rating of "A2" (2020: "A2") driven by the weighted average rating of its pool of borrowers and this also determines the eligibility of new borrowers.

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 mis-match between expected and legal maturity of the secured notes. This means 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 of financial liabilities is given in note 13.

As with credit risk to the extent that the company does not receive sufficient amounts in respect of the loan agreements (whether in the ordinary course of business, following the enforcement of its security obtained in respect of each loan agreement or otherwise) and the company has drawn in full on any relevant debt service reserves, then the company will not have sufficient monies to pay interest, principal or other sums due in respect of the 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.

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 is not expected to 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

This arises from the potential for key systems failures, breaches in internal controls or from external events resulting in financial loss or reputational damage. Key operational risks include outsourced contracts, payments systems, information systems and over-dependence on key personnel. Operational risk is controlled and mitigated through comprehensive, ongoing risk management practices which include formal internal control procedures, training, segregation of duties, delegated authorities, contingency planning and documentation of procedures.

5. INTEREST RECEIVABLE

	2021	2020
	£000	£000
Interest receivable on debenture stocks and bank loans	**19,690**	11,370
Premium amortised	**(1,932)**	(204)
	17,758	11,166

6. INTEREST PAYABLE

	2021	2020
	£000	£000
Interest payable on secured notes	**19,690**	11,370
Premium amortised	**(1,932)**	(204)
	17,758	11,166

7. OPERATING EXPENSES

	2021	2020
	£000	£000
Management fee payable	**3,521**	806
Other	**14**	48
	3,535	854

Operating expenses comprise certain professional fees and fees payable to T.H.F.C. (Services) Limited under the terms of a management services agreement.

8. 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:

	2021	2020
	£000	£000
Fees paid to auditors for:		
Annual audit of financial statements – current period	**19**	7

9. TAXATION

	2021	2020
	£000	£000
UK Corporation tax at 19% (2020: 19%)	**320**	45

The effective tax rate for the period of 19% (2020: 19%) is the same as the standard rate of corporation tax.

10. EMPLOYEES

There were no employees during the year other than the directors. The directors received no remuneration during the year directly from the company in respect of their qualifying services. All directors are remunerated by T.H.F.C. (Services) Limited for their services to the company. It is not practicable to obtain the relevant data to accurately disclose the company's share of this cost. Related party transactions are given in note 20.

11. LOANS TO BORROWERS

Amortised Cost	2021 £000	2020 £000
Nominal amount at beginning of period	**390,000**	280,000
Unamortised premium at beginning of year	**11,865**	-
	401,865	280,000
Loans made in the period	**380,000**	110,000
Premium on new issues	**82,846**	12,069
Premium amortised during the period	**(1,931)**	(204)
Amortised cost at end of the year	**862,780**	401,865
Less: premium due within one year	**(2,398)**	(367)
Non-current amortised cost	**860,382**	401,498
The amounts are repayable as follows:		
Between one and two years	**2,440**	375
Between two and five years	**7,648**	1,182
In five years or more	**850,294**	399,941
	860,382	401,498

12. OTHER RECEIVABLES

Falling due within one year	2021 £000	2020 £000
Accrued interest	**436**	370
Net premium on loans due within a year	**2,398**	367
Inter-group receivables	**1,240**	-
Other receivables	**93**	134
	4,167	871

13. FINANCIAL LIABILITIES – SECURED NOTES

Amortised Cost	2021 £000	2020 £000
Nominal amount at beginning of period	**390,000**	280,000
Unamortised premium at beginning of year	**11,865**	-
	401,865	280,000
Notes issued during the period	**380,000**	110,000
Premium on new issues	**82,846**	12,069
Less: premium amortised during the period	**(1,931)**	(204)
At end of period	**862,780**	401,865
Due within one year	**(2,398)**	(367)
Amount due after one year	**860,382**	401,498
The amounts are repayable as follows:		
Between one and two years	**2,440**	375
Between two and five years	**7,648**	1,182
In five years or more	**850,294**	399,941
	860,382	401,498

14. OTHER PAYABLES

	2021 £000	2020 £000
Accrued interest	**3,899**	663
Net premium on secured notes due within a year	**2,398**	367
Intra-group payables	**-**	24
Other payables	**730**	299
	7,027	1,353

15. SHARE CAPITAL

	2021 £000	2020 £000
Allotted, called up and quarter paid		
50,000 (2020: 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 4. The company is not subject to externally imposed capital requirements.

16. RESERVES

Retained earnings

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

17. 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 2021.

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**

2020	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	13,026	13,026	39,079	266,974	332,105
Contractual principal cash flows	-	-	-	390,000	390,000
Total contractual cash flows	13,026	13,026	39,079	656,974	722,105

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

At 31 March 2021, the company had undrawn loan commitments of £145,000,000 (2020: £nil) which are not recognised in the statement of financial position. Of this amount, £145,000,000 (2020: £nil) can be drawn down within 1 year.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Level 2 fair value of the secured notes and the Level 2 fair value of the associated loans, as at 31 March 2021 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.

	2021		2020	
	Carrying value	**Fair value**	Carrying value	Fair value
	£000	**£000**	£000	£000
Financial assets:				
Classified as loans & receivables				
Loan to borrower(s)				
Non-current	**860,382**		401,498	
Current	**2,398**		367	
Total	**862,780**	**900,686**	401,865	451,862
Interest receivable	**436**	**436**	370	370
Other receivables	**1,333**	**1,333**	134	134
Total financial assets	**864,549**	**902,455**	402,369	452,366
Financial liabilities:				
Classified as financial liabilities at amortised cost				
Secured Notes				
Non-current	**860,382**		401,498	
Current	**2,398**		367	
Total	**862,780**	**897,223**	401,865	451,862
Interest payable	**3,899**	**3,899**	663	663
Other payables	**730**	**730**	323	323
Total financial liabilities	**867,409**	**901,852**	402,851	452,848

19. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2021	2020
	£000	£000
Profit before taxation	**1,682**	236
Adjustments for:		
Interest receivable	**(17,758)**	(11,166)
Interest payable	**17,758**	11,166
Changes in working capital:		
(Increase) / decrease in receivables	**(1,199)**	419
Increase / (decrease) in payables	**407**	(317)
Cash generated from operations	**890**	338

20. RELATED PARTY TRANSACTIONS

All administrative services are provided to the company by T.H.F.C. (Services) Limited ("THFCS"), under a management services agreement. THFCS is the company's immediate holding company. Management fees payable to THFCS during the year amounted to £3,520,744 (2020: £806,375). The amount due from THFCS as at 31 March 2021 was £1,240,120 (2020: due to THFCS £24,136).

During the year the directors of THFCS were also directors of the company. The executive directors are employees of and paid by THFCS.

21. 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	**2021**	2020
	%	%
Platform Housing Group	**23**	46
Wales & West Housing Association Limited	**14**	28
Torus62 Limited	**13**	-
Wakefield and District Housing Association Limited	**13**	-
Hightown Housing Association Limited	**6**	13
Other	**31**	13
Total	**100**	100

22. SECURITY OFFERED TO INVESTORS

Blend Funding Plc 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, T.H.F.C. (Services) Limited cannot be held liable for the debts of the company in the event of insolvency.

23. 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, The Housing Finance Corporation Limited, 3rd floor, 17 St. Swithin's Lane, London, EC4N 8AL, the company's registered office.

24. CASH SECURITY AND LIQUIDITY RESERVE FUNDS

Under certain circumstances, an element of the security for loans made to housing associations can be cash. In those circumstances, the company holds the cash security as trustee on behalf of the housing association 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 31 March 2021 amounted to £96.1m (2020: £38.9m).

25. POST YEAR END EVENTS

A further issue of secured notes was made on 1 April 2021 amounting to a nominal value of £40,000,000. Followed by a further issue of secured notes made on 28 April 2021 amounting to a nominal value of £33,00,000. Followed by a further issue of secured notes made on 21 May 2021 amounting to a nominal value of £35,000,000 including £10,000,000 retained bonds. A further issue of secured notes was made on 16 June 2021 amounting to a nominal value of £75,000,000.