

UK RENTS (NO.1) PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 6 APRIL 2023
COMPANIES HOUSE NUMBER: 02974635



UK RENTS (NO.1) PLC

Annual Report and Financial Statements for the year ended 6 April 2023

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Secretary

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

Company Number

02974635

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

UK RENTS (NO.1) PLC

STRATEGIC REPORT

Year ended 6 April 2023

The Directors present their Strategic Report, Directors' Report and audited financial statements of UK Rents (No. 1) Plc (the "Company") for the year ended 6 April 2023.

STRATEGIC REPORT

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 UK Rents (Holdings) 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 Company's principal is a special purpose vehicle established for the purpose of purchasing rent receivables from housing associations by means of the issue of Eurobonds.

The company has issued a financial instrument, in the form of Eurobonds financing the rental securitisation (see note 11 for details). The Eurobonds are rated A3 (sf) by Moody's Investor Services. The Eurobonds have a fixed rate of interest, and rents remitted by the housing associations are structured to cover interest payments and capital repayments when due, thus minimising interest and liquidity risks.

T.H.F.C. (Services) Limited ("THFCS") provides all services to the Company to ensure it, and its borrower, fulfil their obligations under the respective funding and loan agreements.

The Company expects to continue its principal activity for the foreseeable future.

REVIEW OF BUSINESS

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

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 Group are discussed in greater detail in THFC's group accounts 'Principal risk and uncertainties' section located at: www.thfcorp.com.

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

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 through the securitisation of housing association rental streams.

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 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

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 THFCS, its Immediate Parent Company, in accordance with the Master Services Agreement (“MSA”).

UK RENTS (NO.1) PLC

STRATEGIC REPORT (continued) Year ended 6 April 2023

Diversity 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;
- Review of the Group's values and culture, ensuring that DEI considerations are embedded throughout the organization.

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).

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 maintains 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. Staff of THFCS 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 Company aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK.

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.

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

UK RENTS (NO.1) PLC

STRATEGIC REPORT (continued)

Year ended 6 April 2023

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 the Immediate Parent Company. UK Rents (Holdings) Limited and the Company 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 on 27 July 2023 by:



Julie Coetzee
Director

UK RENTS (NO.1) PLC

DIRECTORS' REPORT

Year ended 6 April 2023

The Directors present their report together with the audited Financial Statements of UK Rents (No. 1) Plc (the "Company") for the year ended 6 April 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

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out below:

Non-Executive and Chair

George Blunden

Chief Executive

Piers Williamson

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

Treasurer

Fenella Edge

Finance Director

Colin Burke (resigned 24 May 2022)

Julie Coetzee (appointed 7 February 2023)

Ray Walker (appointed 24 May 2022, resigned 1 November 2022)

SHARE CAPITAL AND COMPANY STRUCTURE

The Company is a public limited company incorporated and domiciled in England and Wales. The entire share capital of the Company is owned by UK Rents (Holdings) Limited.

DIVIDEND

The Directors do not propose the payment of a dividend (2022: £Nil).

INSURANCE OF DIRECTORS

The Company maintains third-party liability insurance in respect of 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).

UK RENTS (NO.1) PLC

DIRECTORS' REPORT (continued) **Year ended 6 April 2023**

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 Secured Bonds), the operations of the Company are conducted by an administrator, THFCS, in accordance with the requirements of a corporate services agreement and the Trust Deed. This arrangement is monitored by the Board. 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 that 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.

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



Julie Coetzee
Director
27 July 2023

Opinion

We have audited the financial statements of UK Rents (No.1) Plc (the 'Company') for the year ended 6 April 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 6 April 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 page 7, 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 ensuring that the wider The Housing Finance Corporation Limited Group management 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.

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

- 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 Company'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 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

UK RENTS (NO.1) PLC**STATEMENT OF COMPREHENSIVE INCOME****For the year ended 6 April 2023**

	Note	2023 £000	2022 £000
OPERATING INCOME			
Income from securitised assets		960	1,248
Other interest		4	-
Fees receivable		59	55
		<u>1,023</u>	<u>1,303</u>
OPERATING EXPENDITURE			
Interest expense		960	1,248
Administration expenses		56	52
		<u>1,016</u>	<u>1,300</u>
PROFIT BEFORE TAXATION		<u>7</u>	<u>3</u>
Taxation	4	(1)	(1)
PROFIT AFTER TAXATION		<u>6</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		<u>6</u>	<u>2</u>

UK RENTS (NO.1) PLC

STATEMENT OF FINANCIAL POSITION At 6 April 2023

		2023	2022
	Note	£000	£000
ASSETS			
Non-current assets			
Securitised assets	5	4,178	7,959
Current assets			
Securitised assets	5	3,781	3,418
Cash and cash equivalents		923	917
TOTAL ASSETS		8,882	12,294
EQUITY AND LIABILITIES			
Non-current liabilities			
Financial liabilities – borrowings	6	4,178	7,959
Subordinated loans	6	723	723
Current liabilities			
Financial liabilities – borrowings	6	3,781	3,418
Current tax liabilities		1	1
TOTAL LIABILITIES		8,683	12,101
Equity			
Share capital	7	13	13
Retained earnings		186	180
TOTAL EQUITY		199	193
TOTAL EQUITY AND LIABILITIES		8,882	12,294

The Financial Statements on pages 12 to 28 were approved by the Board of Directors on 27 July 2023 and signed on its behalf by:



Piers Williamson
Director

UK Rents (No.1) Plc

Registered Number 02974635

UK RENTS (NO.1) PLC**STATEMENT OF CHANGES IN EQUITY****For the year ended 6 April 2023**

	Called up Share Capital £000	Retained Earnings £000	Total Equity £000
2023			
At beginning of year	13	180	193
Profit for the year	-	6	6
At end of year	13	186	199
2022			
At beginning of year	13	178	191
Profit for the year	-	2	2
At end of year	13	180	193

UK RENTS (NO.1) PLC

STATEMENT OF CASH FLOWS
For the year ended 6 April 2023

CASH GENERATED FROM OPERATIONS		2023	2022
	Note	£000	£000
Cash generated from operations as per reconciliation of profit to net cash generated from operations	9	967	1,249
<i>Adjustments for:</i>			
Interest paid on borrowings		(960)	(1,248)
Interest received on loans		-	2
Redemption of securitised assets		3,418	3,087
Repayment of amounts borrowed		(3,418)	(3,087)
Tax paid		(1)	(1)
NET CASH GENERATED FROM OPERATING ACTIVITIES		6	2
 MOVEMENT IN THE YEAR		6	2
		-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		917	915
 CASH AND CASH EQUIVALENTS AT END OF YEAR		923	917

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 6 April 2023

1. GENERAL INFORMATION

UK Rents (No.1) Plc (“the Company”), a subsidiary of UK Rents (Holdings) Limited (“UKRH”), provides funding to housing associations (“HAs”) through the securitisation of their rental income which is financed through the issue of secured bonds. 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 5. 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 the securitised assets in accordance with IFRS 9. This is for a number of reasons which includes, but is not limited to, the credit quality of the six housing associations whose rental streams have been securitised and the Company’s zero loss experience to date. As the Company is not subject to any net credit risk, any incurred loss would be matched by a similar adjustment to the gross liability.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 6 April 2023

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 10: Financial instruments – Fair value and 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 6: 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 6 April 2023

ACCOUNTING POLICIES (continued)

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.

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 - securitised assets

Securitised assets represent the value of rental streams purchased from housing associations under the relevant agreement and held at amortised cost.

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.

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.

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 15: Segmental information.

ACCOUNTING POLICIES (continued)

Securitised assets and related income

UK Rents Trustee Limited ("UKRT"), a fellow subsidiary, receives the rental flow and holds it on trust for the Company and thereafter the HAs so that rent is firstly used to meet the interest and administrative expenses of the Company with any surpluses (after meeting the obligations of the Company) returned to the HAs. The income from securitised assets in the year amounted to £959,587 (2022: £1,247,849). This income supports payment of the interest on the bonds to the same value. T.H.F.C. (Services) Limited ("THFCS") provides all management and administrative services to the Company and monitors the performance of the housing associations in meeting their obligations under the terms of the various agreements.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 6 April 2023

ACCOUNTING POLICIES (continued)

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.

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.

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

3. ADMINISTRATION EXPENSES

The Company employed no staff during the year. All administrative services, including audit and Directors' services, are provided under a management agreement with THFCS.

The fee for auditing the Company's financial statements included in the management fee amounted to £7,914 (2022: £7,450).

4. TAXATION

	2023	2022
	£000	£000
UK Corporation tax at 19% (2022: 19%)	<u>1</u>	<u>1</u>

5. LOANS RECEIVABLE

	2023	2022
	£000	£000
At beginning of year	11,377	14,464
Repayments	<u>(3,418)</u>	<u>(3,087)</u>
Total	<u>7,959</u>	<u>11,377</u>
Ageing of loans to borrowers		
Due within 1 year	3,781	3,418
Due after 1 year	<u>4,178</u>	<u>7,959</u>
Total	<u>7,959</u>	<u>11,377</u>

For details of the securitised assets see note 11.

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

6. FINANCIAL LIABILITIES – BORROWINGS

Eurobonds	2023	2022
	£000	£000
At beginning of year	11,377	14,464
Repayments	(3,418)	(3,087)
Total	7,959	11,377
 Ageing of Eurobonds		
Due within 1 year	3,781	3,418
Due after 1 year	4,178	7,959
Total	7,959	11,377
 Subordinated Loans	2023	2022
	£000	£000
At beginning of year	723	723
Total	723	723
 Ageing of Subordinated Loans		
Due within 1 year	-	-
Due after 1 year	723	723
Total	723	723

7. SHARE CAPITAL

	2023	2022
	£	£
<i>Allotted called up and fully paid</i>		
2 (2022: 2) ordinary shares of £1 each	2	2
 <i>Allotted, called up and one quarter paid</i>		
50,000 (2022: 50,000) ordinary shares of £1 each	12,500	12,500
	12,502	12,502

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.

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

8. RESERVES

Retained earnings

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

9. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATING ACTIVITIES

	2023 £000	2022 £000
PROFIT BEFORE TAXATION	7	3
Interest expense on borrowings	960	1,248
Changes in working capital:		
(Increase) / decrease in other receivables	-	(2)
NET CASH GENERATED FROM OPERATING ACTIVITIES	967	1,249

10. FINANCIAL INSTRUMENTS – FAIR VALUE AND 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 Eurobonds are tradable but the markets are not considered to be active. Accordingly, market prices of a suitable 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 securitised assets is similarly adjusted for appropriate credit spreads (Level 2 valuation).

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

The Directors consider that the carrying value of other receivables and other payables is a reasonable approximation of their fair value.

	2023	2023	2022	2022
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	£000	£000	£000	£000
Financial assets				
<i>Classified as loans & receivables</i>				
Loans				
Non-current	4,178		7,959	
Current	3,781		3,418	
Total	7,959	8,378	11,377	12,659
Interest receivable	-	-	-	-
Sundry receivables	-	-	-	-
Total financial assets	7,959	8,378	11,377	12,659
Financial liabilities				
<i>Classified as financial liabilities & payables</i>				
Borrowings				
Non-current	4,901		8,682	
Current	3,781		3,418	
Total	8,682	9,101	12,100	13,382
Interest payable	-	-	-	-
Other payables	-	-	-	-
Total financial liabilities	8,682	9,101	12,100	13,382

The Directors consider that the carrying value of other receivables and other payables is a reasonable approximation of their fair value.

Included within the non-current financial liability note above is the financial liability of £722,860 (2022: £722,860) disclosed within note 11. The liability is matched by an equivalent level of short-term deposit with the interest thereon being returned to the housing associations.

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.

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

(a) Interest rate risk

The Company issues debt and securitises assets 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 contractual agreements is approved by the Board.

The Company is subject to interest rate risk on its investment income. Investment income in the year was £4,011 (2022: £110). This is other interest income net of interest paid.

The weighted average interest rate on both fixed financial liabilities and fixed financial assets is 9.934% (2022:10.969%). The weighted average period for which interest rates are fixed is 1.28 (2022: 1.83) years.

(b) Credit and liquidity risk

UKRT is the Receivables Trustee under the asset securitisation and holds the beneficial interest in all rents transferred to it under the Rent Sale agreement by the participating HAs. These funds are held on trust for the Company and each of the housing associations and are first applied to discharge Company obligations and costs with any surplus being returned to the participating HAs. Additionally, each housing association has deposited funds with the Company by way of a subordinated loan which is available to be applied to cover debt service payments if the rents received fall short of the amount required. As an Aa2 rated transaction these arrangements have been, and continue to be, subject to periodic review by Moody's Investor Services.

Credit monitoring includes estimates of the probability of loss and of the loss, given default. There are no financial assets that are past due or otherwise impaired at 6 April 2023 (2022: None). The book value of the securitised assets represents the maximum credit exposure.

Deposit counterparties are subject to pre-approval by the Board and such approval is limited to financial institutions with a suitable minimum long-term rating in accordance with The Housing Finance Corporation ("THFC") treasury policy. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The carrying value of cash and cash equivalents and short-term deposits represents the maximum exposure to credit risk.

A table of the Company's contractual cash flows payable until maturity of the bonds and subordinated loans is given in note 12.

(c) 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.

(d) Currency risk

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

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

(e) Operational risk

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

Whilst operational risk cannot be entirely eliminated, the Company leverages the documented internal controls policy of THFC that is designed to prevent 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.

11. SECURITISATION TRANSACTION

The Company owns a pool of rent receivables of six HAs which it purchased in January 1995. The purchase price of the rental pool was £36.143 million. To finance the purchase of the rent receivables the Company issued £36.143 million of Eurobonds. The HAs are obliged to repurchase part of the rental stream, starting in 2005 and concluding in 2025.

Each HA which sold rent receivables has provided the Company with a subordinated loan to act as a reserve for its obligations. The total of such loans outstanding at 6 April 2023 was £722,860 (2022: £722,860).

Under the terms of the transaction each HA undertakes to collect rent from and to manage and maintain the portfolio of rent receivables sold to the Company. As security for these performance obligations and the repurchase obligations each HA has given a first fixed charge over the underlying property.

UKRT receives the gross rental flow and holds it on trust for the Company and thereafter the HAs so that the rent is firstly used to meet the interest and administrative expenses of the Company with surpluses (after meeting the obligations of the Company) returned to the HA.

THFCS (a wholly owned subsidiary of the ultimate holding Company) provides all management and administrative services to the Company and monitors the performance of the HAs in meeting their obligations under the terms of the various agreements.

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

12. CONTRACTUAL CASH FLOWS

The table below summarises the cash flows payable by the Company until contractual maturity of all its Eurobond liabilities as at 6 April 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	3,781	4,901	-	-	8,682
Interest	640	288	-	-	928
Total	4,421	5,189	-	-	9,610

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	3,418	3,781	4,901	-	12,100
Interest	960	640	288	-	1,888
Total	4,378	4,421	5,189	-	13,988

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

13. RELATED PARTY TRANSACTIONS

The Company incurs a management charge annually from THFCS, a fellow subsidiary. The charge is for the services of staff and other office overheads not incurred directly by the Company. The charge in 2023 was £56,904 (2022: £51,796). The amount due to THFCS at 31 March 2023 was £15 (2022: £0).

Key management comprises only the Directors. There are no transactions between the Directors and the Company.

14. ULTIMATE PARENT UNDERTAKING AND INCORPORATION

The Company's immediate parent undertaking is UKRH, which is incorporated in and registered in England and Wales. The ultimate parent undertaking and controlling party is THFC, incorporated in England and Wales and registered 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, THFC, 3rd floor, 17 St. Swithin's Lane, London, EC4N 8AL, the Company's registered office.

UK RENTS (NO.1) PLC

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 6 April 2023

15. SEGMENTAL ANALYSIS

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

Borrower	2023	2022
	%	%
London & Quadrant Housing Trust	21	21
Bernicia Group	20	20
Clarion Housing Association Limited	15	15
Contour Homes Limited	15	15
Vivid Housing Limited	15	15
A2Dominion Homes Limited	14	14
Total	100	100