



Thrive Homes Finance plc

Financial Statements

Year ended 31 March 2021

Company Registration Number 8902717

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Company Information

Incorporation

Thrive Homes Finance plc was incorporated on 19 February 2014.

Directors

The following directors have served during the year until the date of this report unless otherwise stated:

Elspeth Mackenzie	Chief Executive of Thrive Homes Limited
Graham Olive	Thrive Homes Limited Board Member

Company Secretary

Elspeth Mackenzie	(Resigned 13 July 2020)
Karen Forbes-Jackson	(Appointed 13 July 2020)

Registered Office

Westside, London Road, Hemel Hempstead, HP3 9TD

Auditor

Beever and Struthers, St. George's House, 215-219 Chester Road, Manchester, M15 4JE

Bankers

Barclays Bank PLC
1 Churchill Place, London, E14 5HP

**INCORPORATED UNDER THE COMPANIES ACT 2006 AS A PUBLIC COMPANY,
LIMITED BY SHARES**

REGISTERED IN ENGLAND

Thrive Homes Finance plc is a wholly owned subsidiary of Thrive Homes Limited.

STRATEGIC REPORT

The Directors present their report and audited financial statements for Thrive Homes Finance plc (“the Company”) for the year ended 31 March 2021.

OVERVIEW AND PRINCIPAL ACTIVITY

The Company was incorporated on 19 February 2014. Thrive Homes Finance plc is a wholly owned subsidiary of Thrive Homes Limited. Its objective is to source funding on behalf of Thrive Homes Limited directly from the capital markets and to on-lend the proceeds to Thrive Homes Limited or other Group companies.

BUSINESS REVIEW

The Company commenced trading in March 2014 and issued its first bond on the London Stock Exchange on 24 March 2014. This was a £125m fixed rate bond with equal maturities of 25, 29, 33 and 37 years and an annual coupon of 4.68%; of which £70m was issued at par, retaining £55m.

A further issue was completed on the 14 July 2015. £30m of the retained bond was sold at a premium of £3,511,469 (issue price £111.70 per £100 par value).

A further issue was completed on the 26 May 2017. The final £25m of the retained bond was sold at a premium of £7,747,812 (issue price £130.99 per £100 par value).

All £125m issued, has been on-lent to Thrive Homes Limited via a secured loan.

The bond premium arising from the 2015 and 2017 issues, £11,259,281, had been retained within Thrive Homes Finance plc but following a deed of rectification agreement on 20 March 2020, borrowers have agreed that Thrive Homes Limited received the bond premium with the same pass through agreement as the initial bond issue. This took effect from the date of the Bond issue of 24 March 2014. This premium is now being amortised within Thrive Homes Limited to interest expense over the 24-year period to 2039 when the first repayment of bond is due.

Interest received on bank deposits gives rise to a trading profit, this profit is being distributed to Thrive Homes Limited via gift aid. The purpose of Thrive Homes Finance plc is to be a special purpose treasury vehicle for Thrive Homes Limited which does not seek to generate significant financial returns from its activities.

Any brokerage, issuance or operating costs of Thrive Homes Finance plc are costs of Thrive Homes Limited under the terms of the loan agreement.

PRINCIPAL RISKS AND UNCERTAINTIES

Thrive Homes Finance plc on-lends all the proceeds from capital market transactions, including the bond premium arising from the 2015 and 2017 issues, to Thrive Homes Limited under an intercompany loan agreement incorporating a security trust. Where the capital market proceeds have been on-lent, the underlying assets (i.e. homes for rent), providing security for the issuance, belong to Thrive Homes Limited, and are

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

provided through a Security Trust arrangement with Prudential Trustee Company Limited.

Thrive Homes Finance plc is not obliged under the loan agreement to provide further incremental funding to Thrive Homes Limited or any other party. Thrive Homes Finance plc is not at risk if it cannot obtain further funding for Thrive Homes Limited or any other party.

All the costs relating to providing funding services have been and continue to be incurred by Thrive Homes Limited.

FINANCIAL PERFORMANCE

The Company is a special purpose lending vehicle and does not seek to generate significant financial returns. The Company makes neither a profit nor a loss in line with its role as a special purpose lending vehicle. The Company therefore does not have any key financial performance indicators.

FUTURE DEVELOPMENT, PERFORMANCE AND POSITION

The Board will now work with that of Thrive Homes Limited to determine what future funding requirements are required and what opportunities there may be to source further funding for Thrive Homes Limited. As at the date these accounts are approved by the Board, no decision has been made. It is expected that the existing issued Bond will continue to operate until it is settled in instalments between 2039 and 2051.

The Company's future financial performance is expected to show neither a profit nor a loss.

DIRECTORS' INDEMNITY

The Board confirms that the Company does have Directors and Officers insurance in place.

OTHER INFORMATION

The Company has no direct employees and it exists solely to on-lend the proceeds of capital market transactions. The Company had one female and one male director as at 31st March 2021.

STATEMENT BY THE DIRECTORS RELATING TO THEIR STATUTORY DUTIES UNDER SECTION 172(1) OF THE COMPANIES ACT 2006

The Directors, in line with their duties under s172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its member, and in doing so have regard, amongst other matters, to the:

- ☐ Likely consequences of any decision in the long term
- ☐ Interests of the company's employees
- ☐ Need to foster the company's business relationships with suppliers, customers and others
- ☐ Impact of the company's operations on the community and the environment
- ☐ Desirability of the company maintaining a reputation for high standards of business conduct
- ☐ Need to act fairly as between members of the company

The Directors' regard to these matters is embedded in their decision-making process, through the Company's business strategy, culture, governance framework, management information flows and stakeholder engagement processes.

The Company's business strategy is focused on achieving success for the Company in the long-term. In setting this strategy, the Board takes into account the impact of relevant factors and stakeholder interests on the Company's performance. The Board also identifies principal risks facing the business and sets risk management objectives.

The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct. The Board ensures these core values are communicated to the Company's employees and embedded in the Company's policies and procedures, employee induction and training programmes and its risk control and oversight framework.

The Board recognizes that building strong and lasting relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate a sustainable business.

The Directors are supported in the discharge of their duties by:

- Processes which ensure the provision of timely management information and escalation through reporting lines to the Board from the Company's business areas, its risk and control functions, support teams and committees of the Board
- Agenda planning for Board and Committee meetings to provide sufficient time for the consideration and discussion of key matters

BY ORDER OF THE BOARD

Approved by the Board on 5 July 2021 and signed on its behalf by



Elspeth Mackenzie
Director

REPORT OF THE DIRECTORS

DIRECTORS

The Company's Directors are listed on page 2.

DIVIDENDS

No dividends have been proposed during the year (2020: Nil).

FUTURE DEVELOPMENTS & DIRECTORS INDEMNITY INSURANCE

Information on future developments and directors indemnity insurance have been set out in the Strategic Report.

FINANCIAL RISK MANAGEMENT

Risk Management Objectives & Policies

Thrive Homes Limited's finance staff are responsible for treasury management activities and the control of associated risks. Group treasury activities are governed by a Treasury Management Policy and the annual Treasury Strategy, both of which are approved by Thrive Homes Limited's Board, which is ultimately responsible for treasury matters in all of Thrive Homes' legal entities, which includes the Company.

Thrive Homes Limited's Finance function does not operate as a profit centre.

The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring its level of debt finance and related finance costs. It benefits from an equivalent risk management programme operated by its sole debtor and parent, Thrive Homes Limited.

Corporate governance statement

The governance of the Company is overseen by the parent company, Thrive Homes Limited which includes the risk and audit committee of the parent. Thrive Homes Limited have adopted and do comply with the National Housing Federation's 'Code of Governance: Promoting Board Excellence for Housing Associations (2020 edition)'. As such, a separate risk and audit committee for the Company is not considered necessary on the basis that the parent company's risk and audit committee is suitably placed to perform the function for the group as a whole.

Interest Rate Risk & Hedging

The Company currently borrows funds from the capital markets on a fixed interest rate basis and then on-lends to Thrive Homes Limited on a similar fixed rate basis. The Company therefore does not carry any exposure to interest rate risk on a net basis. The Company does not undertake any hedging activities and it does not have any derivative positions.

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Liquidity Risk

The Company mitigates its liquidity risk in relation to its principal repayments and interest coupon payments by on lending the proceeds of its capital market issues to Thrive Homes Limited on similar repayment terms to the financial instrument issued.

Credit Risk

All the Company's capital market financing proceeds, including than the bond premium, have been on-lent to Thrive Homes Limited, which is the only significant credit risk to the Company. This risk is mitigated through a number of factors including:

- the social housing assets provided by Thrive Homes Limited as security for the loan;
- the Regulator of Social Housing assessment of Thrive Homes Limited's financial viability;
- the credit rating accorded by Standard & Poor's to Thrive Homes Limited, which is equivalent to the rating of the Company's capital market issue; and
- the contractual protection of the loan agreement between the Company and Thrive Homes Limited.

Thrive Homes Finance plc is not obliged to source further funding from the capital markets for on-lending to Thrive Homes Limited. Thrive Homes Limited's A stable credit rating from Standard & Poor's was reconfirmed in March 2021. All cash is invested with financial institutions that have at least an A- credit rating.

REPORT OF THE DIRECTORS (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law). 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They 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.

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 3 to 4. These matters relate to the principal risks and uncertainties, future developments and Directors indemnity provisions.

REPORT OF THE DIRECTORS (Continued)

EVENTS AFTER THE REPORTING PERIOD

There have not been any material events after the reporting period.

GOING CONCERN

After making all reasonable enquiries, the Directors have a reasonable expectation that Thrive Homes Finance plc has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 20 September 2021.

STATEMENTS AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date when this Directors' Report was approved confirm that:

- so far as each of the Directors is aware, there is no relevant audit information of which Thrive Homes Finance plc's auditor is unaware; and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that Thrive Homes Finance plc's auditor is aware of that information.

EXTERNAL AUDITOR

Beever and Struthers have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

Approved by the Board on 5 July 2021 and signed on its behalf by



Elspeth Mackenzie
Director

Independent Auditor's Report to the Members of Thrive Homes Finance plc

Our opinion is unmodified

We have audited the financial statements of Thrive Homes Finance plc ("the Company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor of Thrive Homes Finance plc by the Board for the period ending 31 March 2019. The period of total uninterrupted engagement for the Company is three financial years, ending 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least

twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address these matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

i. Recoverability of long-term debtors

The risk – significant risk high value

Thrive Homes Finance plc is a special purpose vehicle formed for the purpose of receiving the proceeds of a bond issue in March 2014. The Company on-lent the entire bond issue proceeds to Thrive Homes Limited. The financial statements of the Company show the following balances in relation to the bond issue:

- Long term debtor due from Thrive Homes Limited: £125m (2020 restated: £125m)
- Long term creditor due to bondholders: £125m (2020 restated: £114.8m)

Refer to page 22 (accounting policy) and page 25 (financial disclosures).

The ability of Thrive Homes Limited to service and repay the debt due to the Company is a key audit matter. During the year ended 31 March 2021, COVID-19 had a significant impact on the UK economy and on the activities of housing associations. As auditors to the Company, we are required to consider the impact of COVID-19 on the financial outlook for Thrive Homes Limited and assess its impact on the going concern status of the Company, and on the accounting treatments and disclosures within the Company's financial statements.

Our response

Our procedures included:

- **Assessment of recoverability:** Assessing 100% of intercompany long-term debtors

by considering the financial viability of Thrive Homes Limited, in particular whether the Group has sufficient liquidity to meet interest payments as they fall due, and sufficient longer-term future cash flows to repay the debt. We have reviewed Thrive Homes Limited's internal assessment of the implications of COVID-19, and management information relating to actual and forecast financial performance after the year end. We have reviewed the Group's long-term financial plans, revised in the light of COVID-

19, and the stress testing of those plans. We have considered the potential impact of these matters on the Group's financial viability into the foreseeable future, and on its status as a going concern

- **Test of detail:** Agreeing the debtor balance to the accounting records of the Company and Thrive Homes Limited.
- **Test of detail:** Agreeing interest receipts and payments, and capital repayments, between the accounting records of Company and Thrive Homes Limited, and payments to the bondholder.

Our results

We identified a number of areas where COVID-19 and the resulting impact on the economy could potentially impact significantly on Thrive Homes Limited, including:

- Impairment
- Rent collection and bad debts
- Sales risk and exposure to the property market
- Investment properties
- Pension scheme valuation

Based on the audit work performed we performed, we are satisfied that the above matters do not cause material uncertainty in the ability of Thrive Homes Limited to repay its debt to the Company, and we are satisfied with the assessment of the Company's Board that the Company remains a going concern.

We have nothing to report in this regard.

Our Application of Materiality and an Overview of the Scope of the Audit

The materiality for the audit of the Company, regarding the Statement of Financial Position, for the year ended 31 March 2021 was £628.7k) determined with reference to 0.5% of gross assets.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £31,436, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information

The other information comprises the information included in the Report of the Directors including Strategic Report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. 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.

In connection with our audit of the financial statements 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material

misstatement of the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the information given in the Report of the Directors including Strategic Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- a satisfactory system of control over transactions has not been maintained; or
- the Company has not kept adequate accounting records; or
- the Company's financial statements are not in agreement with accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on pages 9 to 10, the Board is 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 Board determines 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 Board is 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 Board either intends to liquidate the Company 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act 2006 and tax legislation.
- We enquired of the Directors and reviewed correspondence and Directors meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Directors have in place to prevent and detect fraud. We enquired of the Directors about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the provision of housing and recognising the nature of the Company's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Directors about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our Report

This report is made solely to the Company's members, as a body, in 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.



Lee Cartwright, Senior Statutory Auditor
For and on behalf of
Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE
Date: 15 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £'000	2020 Restated £'000
Interest receivable and similar income	6	5,861	5,898
Interest payable and similar charges	7	(5,850)	(5,850)
Taxable profit		11	48
Tax on profit on ordinary activities	13	-	-
Profit for the year		11	48
Other comprehensive income		-	-
Total Comprehensive Income for the Year		11	48

The results included in the Statement of Comprehensive Income relate wholly to continuing activities.

The notes on pages 20 – 28 are an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	Notes	2021 £'000	2020 Restated £'000
Current Assets			
Debtors due within one year	9	112	112
Debtors due after one year	9	125,000	125,000
Cash at bank and in hand		632	10,016
		125,744	135,128
Creditors: Amounts falling due within one year	10	(683)	(10,078)
Net current assets		125,061	125,050
Creditors: Amounts falling due after more than one year	11	(125,000)	(125,000)
Net assets		61	50
Share Capital & Reserves			
Called up share capital	12	50	50
Profit and loss account		11	-
		61	50

The notes on pages 20 – 28 are an integral part of the Financial Statements.

These financial statements were approved by the Board of Directors on 5 July 2021 and signed on its behalf by:



Elspeth Mackenzie
Director



Graham Olive
Director

Company No: 8902717
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2019		50	-	50
Profit for the year		-	48	48
Other reserves		-	-	-
Total comprehensive income		-	48	48
Distribution to parent company	8	-	(48)	(48)
At 31 March 2020 restated	12	<u>50</u>	<u>-</u>	<u>50</u>
Profit for the year		-	11	11
Other comprehensive income		-	-	-
Total comprehensive income		-	11	11
Distribution to parent company	8	-	-	-
At 31 March 2021	12	<u>50</u>	<u>11</u>	<u>61</u>

Reserves

Profit and loss account

The profit and loss account represent cumulative profits and losses of the Company.

The notes on pages 20 – 28 are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1 ACCOUNTING POLICIES

Thrive Homes Finance plc (“the Company”) is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Westside, London Road, Hemel Hempstead, HP3 9TD.

These financial statements have been presented in Pounds Sterling as this is the Company’s functional currency, being the currency of the primary economic environment in which the Company operates.

At the date of these financial statements, the Directors have carried out a detailed and comprehensive review of the Company’s business and its future prospects. In the opinion of the Directors, the Company is expected to continue operating within the current arrangements and to continue meeting its obligations as they fall due, consequently the financial statements are presented on a going concern basis.

A summary of the Company’s accounting policies, which have been consistently applied, are set out below:

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (“FRS 102”) and applicable legislation, as set out in the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical cost convention.

FRS 102 allows a qualifying entity, certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to, the use of exemptions by the Company’s shareholders. The Company is included in the consolidated financial statements of its parent undertaking, Thrive Homes Limited. Note 14 provides details of where those consolidated financial statements may be obtained from.

In preparing the financial statements, the Company has taken advantage of the following exemptions:

- from disclosing key management personnel compensation, as required by paragraph 7 of Section 33 Related Party Disclosures;
- from presenting a reconciliation of the number of shares outstanding at the beginning and end of the year, as required by paragraph 12 of Section 4 Statement of Financial Position; and
- from presenting a Statement of Cash Flows, as required by Section 7 Statement of Cash Flows.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021****1 ACCOUNTING POLICIES (Continued)**

On the basis that equivalent disclosures are given in the consolidated accounts of the parent company; the Company has also taken advantage of the exemption not to provide certain disclosures as required by Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash and cash equivalents, debtors and creditors. The Company has chosen to apply the measurement and recognition provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues in full.

Financial assets – classified as basic instruments

Financial assets are defined as cash or any asset that is a contractual right to receive cash or another financial asset from another entity, or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable, or an equity instrument of another entity. The only category of financial asset held by the Company is cash and debtors.

Debtors are assets with fixed or determinable payments that are not quoted on an active market, other than those that are categorised as financial assets at fair value through profit and loss. These are initially recognised at the transaction price. At each balance sheet date, they are subsequently measured at amortised cost, with interest income recognised in profit and loss using the effective interest method. Examples of loans and receivables include amounts lent to other Thrive Homes Limited group entities.

Financial liabilities – classified as basic instruments

Financial liabilities are defined as any liability that is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable. Financial liabilities held by the Company include issued debt. Interest charges are recognised in profit or loss using the effective interest method. The only category of financial liability held by the Company is those measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021****1 ACCOUNTING POLICIES (Continued)**

In the case of issued debt due in more than one year, the fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

Segmental information

The Company has one class of business from which it derives its income, which is to provide funding to its parent company, Thrive Homes Limited. All interest income, expenditure and net assets are derived from UK operations.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly to equity.

Current tax is the amount of income payable in respect of the taxable profit for the year or prior years.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Current and deferred tax is calculated on the tax rates and laws that have been enacted or substantively enacted by the period end.

Bond issue costs

The costs relating to providing funding services were incurred by Thrive Homes Limited, to whom the proceeds of capital markets issues have been on-lent.

Bond premium

Bond premium is the value above par achieved on bonds issued. This is included as part of the carrying value of the bond and is amortised in Thrive Homes Limited over the remaining years until the first bond repayment is due. The bond premium resulting from the 2015 and 2017 issues is amortised to 2039 using the discounted cash flow method to reduce the balance to nil at this point.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The only judgement exercised in the preparation of these financial statements is that the directors do not consider the Company to be a financing company or a financial institution as the Company's only purpose is to access capital market funding for the benefit of the Thrive Homes Group and not for any other entity.

3 PROFIT AND LOSS ACCOUNT

During the period, the Company recharged interest paid on loans to Thrive Homes Limited, to whom the proceeds of the capital market issue were on-lent. The costs of issuance were incurred by Thrive Homes Limited under the terms of the loan agreement. The Company's operating costs are also met by Thrive Homes Limited, as its parent. Any profit made by the company is then distributed to Thrive Homes Limited via gift aid.

Audit and non-audit fees charged by Beever and Struthers relating to Thrive Homes Finance plc are expensed by Thrive Homes Limited (the parent company) in accordance with the loan agreement and disclosed within its consolidated accounts. The audit fee attributable to the Thrive Homes Finance plc is £8,040 (2020: £8,000). Non-audit fees amounted to £Nil (2020: £Nil). All figures are net of VAT.

4 EMPLOYEES

The Company does not have any employees. All employees acting on behalf of the Company are employed by Thrive Homes Limited, and their costs are disclosed in their financial statements.

5 BOARD OF DIRECTORS' REMUNERATION

The Directors of Thrive Homes Finance plc are either employees or Board members or co-opted Board Committee members of Thrive Homes Limited and are remunerated accordingly by Thrive Homes Limited. Full accounting disclosures are therefore included within Thrive Homes Limited's accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
Interest receivable from Group undertakings	5,850	5,850
Bank interest	11	48
	5,861	5,898

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2021 £'000	2020 Restated £'000
Interest payable to bond holders	5,850	5,850
Amortised bond premium	-	-
	5,850	5,850

8 DISTRIBUTIONS

The profits of the entity (£11k) are to be distributed via gift aid to the parent company in the year (2020 restated: £48k)

9 DEBTORS

	2021 £'000	2020 £'000
Due within one year		
Interest from Group undertakings	112	112
	112	112
Due after one year		
Loans to Group undertakings	125,000	125,000
	125,000	125,000

The terms of the on-lending agreement underlying the intra-group debtor mirror those of the Company's bond liability shown under Creditors (note 11).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10 CREDITORS: amounts falling due within one year

	2021 £'000	2020 Restated £'000
Interest to bondholders	112	112
Intercompany Creditor	571	9,966
	683	10,078

11 CREDITORS: amounts falling due in more than one year

	2021 £'000	2020 Restated £'000
Bond Issue on 24 March 2014 – 4.68% (semi-annual coupon)	70,000	70,000
Bond Issue on 14 July 2015 – 4.68% (semi-annual coupon)	30,000	30,000
Bond Issue on 26 May 2017 - 4.68% (semi-annual coupon)	25,000	25,000
	125,000	125,000

On 24 March 2014, Thrive Homes Finance plc issued a £125 million fixed rate bond with four equal maturities of 25, 29, 33 and 37 years and an annual coupon of 4.68%.

£70 million was issued to investors on the issue date and a further £30 million was issued on 14 July 2015 and £25 million was issued on 26 May 2017. When the 2015 and 2017 retained bond issues were made, premiums of £3.5 million and £7.8 million were generated on the issues. These premiums arising are being amortised to interest expense within Thrive Homes Limited over the 24-year period to 2039 when the first bond repayment is due.

£31.25 million is therefore repayable on each of 24 March 2039, 24 March 2043, 24 March 2047 and 24 March 2051.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11 CREDITORS: amounts falling due in more than one year (Continued)

Thrive Homes Finance plc has on-lent all the par value of the proceeds of these three issues to Thrive Homes Limited under a guarantee and security trust agreement. The underlying assets of this issuance belong to Thrive Homes Limited and are held through a Security Trust arrangement with the Prudential Trustee Company Limited.

At 31 March 2021, the total £125 million debt held by investors is secured by fixed charges over 2,464 properties (2,192 rented and 272 leasehold) of Thrive Homes Limited at their Existing Use Value- Social Housing (EUV-SH) of £161.97 million.

The above includes a revaluation of EUV-SH values completed by Savills during the year, and is net of the disposal of secured properties, e.g. under Right to Buy legislation, since the initial 2014 bond issue.

All Thrive Homes Finance plc's costs relating to providing funding services to Thrive Homes Limited are borne by Thrive Homes Limited, in accordance with the terms of their underlying loan agreement.

12 ORDINARY SHARE CAPITAL

	2021 £	2020 £
Authorised Share Capital		
Ordinary shares of £1 each	50,000	50,000
Issued Share Capital		
Ordinary shares of £1 each	50,000	50,000

Thrive Homes Limited is the registered holder of 50,000 shares of £1, all of which has been paid up. The shares were issued on incorporation of the Company on 19 February 2014. Thrive Homes Limited acquired its 50,000 ordinary shares on 24 March 2014.

The holders of the ordinary shares are each entitled to one vote per share. The shares carry no rights to fixed income and are non-redeemable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

13 TAXATION

	2021	2020
	£'000	£'000
Tax on profit on ordinary activities	-	-
Reconciliation of tax charge		
	2021	2020
	£'000	Restated £'000
Profit on ordinary activities before tax	11	48
Profit multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	2	9
Reduction in tax charge due to gift aid to be paid	(2)	(9)
Tax charge for the year	-	-

The Finance Act 2015 set the CT main rate at 20% for the Financial Year 2016. At the Summer Budget 2015, the government announced a reduction in the rate from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020. However, at Budget 2020, the Government announced that the CT main rate would remain at 19%.

14 ULTIMATE PARENT UNDERTAKING

The parent and ultimate parent company of Thrive Homes Finance plc is Thrive Homes Limited.

Thrive Homes Limited is a charitable registered society, registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014, registration number 30398R.

Thrive Homes Finance plc has taken advantage of the exemption contained in Section 33 of FRS 102 - "Related Party Disclosures" and therefore has not disclosed transactions or balances with entities which are wholly owned members of the Thrive Homes Group. There were no other related party transactions other than those with Thrive Homes Limited, the parent and ultimate parent company.

The consolidated accounts for Thrive Homes Limited are available from its registered office: Westside, London Road, Hemel Hempstead, HP3 9TD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15 RESTATEMENT

Within the Statement of Financial Position at page 18 is a restatement of £9,966k between Long-Term Creditors and Short-Term Creditors. This is in relation to the deed of Variation Agreement between Thrive Homes Finance plc and Thrive Homes Limited on 20 March 2020 whereby Thrive Homes Limited receives the Bond Premium with the same pass through agreement as the initial Bond issue. Amortisation of the Bond Premium will now take place within Thrive Homes Limited where the Bond Premium creditor now sits.

	Before restatement	Effect of restatement of bond premium and amortisation	Gift - Aid	Restated
	£'000	£'000	£'000	£'000
Opening reserves at 1/4/19	0	30	(30)	-
Surplus for the year ended 31/3/20	429	(381)	(48)	-
Closing reserves at 31/3/20	429	(351)	(78)	-