

Yorkshire Housing Finance Plc
Annual Report and Financial Statements
For The Year Ended 31 March 2021



Yorkshire Housing Finance Plc

Company Information

Directors:

Matthew Blake
Nick Atkin

Andrew Oldale

Secretary:

Andrew Oldale (Appointed 8 June 2021)

Company number:

09227343

Registered office:

Dysons Chambers
12 -14 Briggate
Leeds
West Yorkshire
LS1 6ER

Independent auditors:

Grant Thornton UK LLP
No 1 Whitehall Riverside
Leeds
LS1 4BN

Yorkshire Housing Finance Plc

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Strategic Report

Overview of business

The objective of the Company is to provide external funding to support the activities of the parent Company, Yorkshire Housing Limited together with its subsidiaries. These activities are subject to financial risks such as failure to meet interest/covenant requirements and the underlying performance of the Group.

Group structure

The Group also comprises the following companies:

Yorkshire Housing Limited	- registered Co-operative and Community Benefit Society number 30443R & Homes England registered provider number L4521
Yorkshire Community Property Services Limited	- registered Company number 4131362
Y H Residential Limited	- registered Company number 4604866

The Group also has a 33% share in Yorkshire Transformations Holdings Limited, registered company number 05047771, which operates a PFI scheme for Leeds City Council and a 20% share of Forge New Homes LLP ("FNH LLP") which provides housing in the Sheffield city region.

Business review and future activities

On 31 October 2014 the Company issued £140m 4.125% secured bonds at an issue price of 98.175% of the aggregated principal amount. These secured bonds, which are denominated in Sterling, mature on 31 October 2044. The proceeds of £137.4m were then on-lent to Yorkshire Housing Limited at an effective interest rate of 4.233% plus the cost of amortising the discount on issue over the life of the bonds. Also on 31 October 2014 the Company deferred the issue of a further £60 million secured bonds until a future date. All issue costs have initially been borne by Yorkshire Housing Limited and recharged to Yorkshire Housing Finance Plc, and these costs will be amortised over the lifetime of the loan.

On 18 September 2019 the remaining £60 million secured bonds were issued. The proceeds of £75m, including a premium on issue, were on lent to Yorkshire Housing Limited to fund the development of new homes. All issue costs have initially been borne by Yorkshire Housing Limited and recharged to Yorkshire Housing Finance Plc; these costs will be amortised over the lifetime of the loan.

The Board is of the opinion that the state of the Company's affairs and the results for the year are satisfactory. The profit for the year amounted to £nil (2020: £nil). The Company advances loans to Yorkshire Housing Limited, interest on this loan is treated as intra-group and is fully reimbursed.

At the date of this report the board does not envisage any significant changes in the Company's activities in the foreseeable future.

Objectives and strategy

The objectives of the Company are to provide external funding to support the wider group. The execution of the Company's strategy is subject mainly to financial risks, such as failure to meet interest/covenant requirements and the underlying performance of the Yorkshire Housing Group and its subsidiaries. The Company's financial instruments and its exposure to financial risks are summarised in note 12.

Key performance indicators

The Directors have monitored the progress of the overall strategy and the individual strategic elements by reference to the financial indicators below. There are no non-financial key performance indicator measures. The Board of Directors ensure that the Company fulfils its obligations under the bond trust deed which in turn ensures it is compliant with listing regulations and under the bond loan agreement, its commitment to the bond investors and Yorkshire Housing Limited.

The Company is primarily a conduit for accessing the debt capital markets. Therefore, the Board of Directors monitor the compliance with the asset cover covenant (see below) and the availability of cash flow to and from the other members of Yorkshire Housing Limited as the key financial performance indicators. As the Company provides lending to other members of the Group, its performance is dependent on performance of the Group. Therefore, reference should also be made to those key performance indicators measured by the Group as outlined in the Yorkshire Housing Limited financial statements for the year ended 31 March 2021.

The Company continues to comply with its obligations under the bond loan agreement and trust deed and has provided sufficient cash flow to other members of the Group. The Company's liabilities are secured against the

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performance of Yorkshire Housing Limited through appropriate agreements, and the particular financial indicators for Yorkshire Housing Limited are detailed below:

Key Performance Indicator	Actual Performance	Covenant
Asset Value Cover	£260.4m	£200m
Interest Cover (3 year aggregate)	230%	110%

Asset Value Cover has been calculated based on the valuation of the housing properties on which the bond is secured. This is a satisfactory performance, as it is above the target performance as per the requirements of the financial covenant in the bond loan agreement. Interest cover has been calculated on the basis of the loan agreement.

Principal risks and uncertainties

The Directors' Report includes a review of principal financial risks covering credit, liquidity and interest rates.

The Group's treasury function is responsible for the management of all Group funding arrangements and the control of associated risks within the overall governance framework of the Group treasury strategy. The Company's activities are undertaken within this Group-wide funding strategy.

As such, the long term performance of the Company is dependent on the performance of the other members of the Group; in particular Yorkshire Housing Limited. In this context, the Company is exposed to the risks and uncertainties which are set out within the Operating and Financial Review of Yorkshire Housing Limited for the year ended 31 March 2021.

Going concern

The Company is a vehicle for raising debt finance for the Group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements, the Company is dependent upon Yorkshire Housing Limited to which the Company has on lent the proceeds of the bond as per the terms of the on lending agreement. Therefore the Going Concern of this Company is reliant on the Groups ability to continue trading and not call due any outstanding amounts.

Yorkshire Housing Finance Plc currently has a net current liability due to amounts owed to the Group undertakings. The Directors have obtained confirmation that these amounts will not be called unless Yorkshire Housing Finance Plc has sufficient funds. Yorkshire Housing Limited has in place long term business plans which demonstrate its ability to meet all of its obligations.

A 30 year business plan has been prepared and presented to board which reflects the ambitions of the group but also includes multi variant stress testing to ensure the Group could continue to trade and remain compliant with covenants through potential downturns in the economy or crisis. Extensive multi variant stress testing has been carried out to model the impact of any economic downturn including any global financial crisis and the ongoing COVID-19 pandemic. Whilst any such downturn would limit the growth included within our business strategy it highlights the Groups ability to continue trading through severe adverse conditions.

From a review of the business plan there are no intentions or indications that the Parent will call amounts owed to it within the 12 months from the date of signing. YHF is reviewed in line with the rest of the Group with detailed forecasting and scenario planning. YHF Directors have reviewed the Group financial forecasts and business plans and are satisfied that the Company will continue to receive interest income from its Parent and be able to meet its financial obligations when they become due. The Directors of Yorkshire Housing Finance Plc have reviewed the business plan and stress testing of the group and are satisfied it will continue to meet its obligations. The period to 31 March 2023 of the business plan forms the basis of our going concern assessment.

On this basis, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt a going concern basis in preparation of its financial statements.

Statement by the Directors in performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

The Directors of Yorkshire Housing Finance Plc , both individually and together as the Board, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the membership (having regard to Yorkshire Housing Finance Plc's stakeholders and matters set out in Section 172(1)(a-f) of the Companies Act 2006) in the decisions made during the year ended 31 March 2021. In doing so, the Directors have considered (amongst other matters):

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For the year ended 31 March 2021

- The likely consequences of any decision in the long term – this is addressed through the business planning process undertaken annually,
- The need to foster the Company's business relationships with members, bondholders and others – regular board meetings are held and information provided to bondholders and our rating agency,
- The impact of the Company's operations on the community and the environment – this is defined by YHL strategy and polices and monitored through the YHL Board,
- The desirability of the Company in maintaining a reputation for high standards of business conduct – all employees and board members are required to sign up to our code of conduct; and,
- The need to act fairly – this is integral to our values.

The Company does not have any employees or suppliers other than those included within Group.

As part of their induction, a Director is briefed on their duties and the Group Code of Conduct. Directors are able to access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser. It is important for the Company to maintain a strong reputation for compliance with all laws and regulations and as a member of the Yorkshire Housing Group, compliance with all laws and regulations is monitored at a group level. Any future activity of YHF will be considered in relation to the Group's objectives.

Other reporting

The Directors believe that the requirements of the Streamlined Energy and Carbon Reporting are not applicable to Yorkshire Housing Plc. The Company is a finance vehicle and does not have any relevant operations on which to report.

On behalf of the Board



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Andrew Oldale
Director

16 September 2021

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For the year ended 31 March 2021

Directors' Report

The Directors of Yorkshire Housing Finance Plc (the 'Company') present their report and the audited financial statements of the Company for the year ended 31 March 2021. In respect of compliance with all aspects of Corporate Governance, please see the separate Corporate Governance Statement on pages 6-7, which forms part of this Directors' report.

Yorkshire Housing Finance Plc is a 100% owned subsidiary of Yorkshire Housing Limited; which is incorporated under the Co-operative and Community Benefit Societies (2014 Act) (registered number 30443R) and is a Registered Provider (HCA registration number L4521) and is a member of The Yorkshire Housing Group, ("The Group").

Principal activities

The Company's principal activity is to act as a vehicle for raising external debt and to on-lend to the Group. In order to issue bonds to the public it is a legal requirement that the issuer is a Public limited company (Plc).

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Group has in place a risk management plan that seeks to limit the adverse effects on the financial performance of the Company. The Company's financial instruments and its exposure to financial risks are outlined in note 12 - Financial Instruments.

Credit Risk - as at 31 March 2021 the Company had on-lent all of its issued funds to Yorkshire Housing Limited which was secured by a first fixed legal charge over property assets valued in excess of the value of the debt.

Liquidity Risk - the Company has lent the full amount of its drawn funds, thus fully offsetting its liabilities. The interest payable by the Company on its debt is fully offset by the interest receivable from Yorkshire Housing Limited.

Interest Rate Risk - as at 31 March 2021, 100% of the Company's debt is on fixed rate terms from the capital markets. It is then on lent to Yorkshire Housing Limited at the same fixed rate of interest. The bond is accounted for at amortised cost so has no impact on the Statement of Comprehensive Income. There is no intention to repay the debt in advance of the agreed repayment profile; therefore, any changes in the market value of the debt arising out of changes in market interest rates is not deemed to be material to the financial stability of the Company.

Employees

The Company does not have any employees.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial year and also at the date of approval of the financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Reserves

The Company's reserves at the end of the year amounted to £nil.

Results and dividends

No dividend was paid during the year. The Directors are not recommending the payment of a final dividend.

Future developments

As set out in the strategic report the Board does not envisage any significant changes in the Company's activities in the foreseeable future.

Subsequent events

There are no subsequent events to report.

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Board members and directors

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

Barry Nethercott – Appointed 6 April 2020 and resigned 8 June 2021

Matthew Blake – Appointed 25 November 2020

Nick Atkin

David Bolton – Resigned 16 September 2020

Andrew Oldale – Appointed 8 June 2021

The Directors held no interest in the Company. Andrew Oldale and Nick Atkin are both Executive Directors of, and employed by, Yorkshire Housing Limited. Matthew Blake is a non-executive Director.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic Report and 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 to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.') 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 and 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

The Directors confirm that:

- so far as each member of the Board is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Andrew Oldale
Director

16 September 2021

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Corporate Governance Statement

The Company has a listed security in issue and is required to comply with the applicable sections DTR7.1 and DTR7.2 of the Financial Conduct Authority ("FCA") handbook. The Company is also in compliance with the NHF Code of Governance as it is a subsidiary of Yorkshire Housing Limited.

The Board

The Board comprises up to three Board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company. Any member or members holding a majority in nominal amount of issued ordinary share capital may at any time appoint any person to be a Director. The Directors on the Board are detailed on page 5.

Committees

The Board was supported by the Group Business Assurance Committee (GBAC.) The GBAC is made up of five members and meets formally four times a year. The GBAC has the responsibility for the detailed review of the Company's financial statements, the review of the effectiveness of the system of internal control, and the appointment of its internal and external auditors, including the agreement of the scope of their work and the review of their reports. The Board obtains external specialist advice from time to time as necessary. Members of the GBAC were as follows: Philip Severs (Chair), Nina Cuckow (up to 10th February 2021), Alison Hadden, Kevin Brady, Kay Dickinson and Leann Hearne (from 25th November 2020).

The Board met on 29 April 2020, 8 July 2020, 7 September 2020, 14 October 2020 and 10 February 2021 which all members attended.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss. Culture of internal control is detailed in the group accounts and is applied to all group companies. The Board of Yorkshire Housing Finance Plc have separately reviewed the group controls and are satisfied with the internal controls within the Company and the wider group.

The process for identifying, evaluating and managing the significant risks faced by the Company is ongoing and has been in place throughout the period from 1 April 2020 up to the date of approval of the report and financial statements. The Company does not have any employees and therefore adopts the diversity policy of Yorkshire Housing Group when and if required.

Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the Board across the Yorkshire Housing Group. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via GBAC. The arrangements include a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues.

Capital structures

At the date of this Report £50,000 ordinary shares of £1 each have been issued. At the year end, the shares are fully paid at £1 per share. The shares provide a right to vote at general meetings. All of the shares in issue are held by Yorkshire Housing Limited, there are no special rights attached to the shares.

Financial reporting

The Board specifically monitors the financial reporting process and the statutory audit of the annual accounts through reports provided by management. Furthermore, the Board reviews and monitors the independence of the statutory auditor and considers the relationship with the Group as part of its assessment. This is monitored within the Yorkshire Housing Group Board meetings which consider the relationship with the statutory auditor and all group subsidiaries.

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At each Company Board meeting Directors review whether the existing internal controls in relation to the financial reporting system are sufficient and take appropriate action as necessary. The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant during the course of its review of the systems of internal control. The Board considers the existing internal controls to be sufficient and does not consider there to be a requirement for a specific Yorkshire Housing Finance Plc Internal Audit function as the Yorkshire Housing Group Internal Audit function provides sufficient support and expertise. The requirement for a dedicated Internal Audit function is considered annually.

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For the year ended 31 March 2021

Independent auditor's report to the members of Yorkshire Housing Finance Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Yorkshire Housing Finance Plc (the 'Company') for the year ended 31 March 2021, which comprise the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and notes to the financial statements, 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 Financial Reporting Standard 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 United Kingdom Generally Accepted Accounting Practice; 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 as applied to listed public interest entities, 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

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the design and implementation of controls relevant to management's going concern assessment;
- Obtaining management's forecasts covering the period from 1 April 2021 to 31 March 2023 and assessing their integrity and suitability as a basis for management to assess going concern;
- Evaluating the key assumptions within the forecasts and considering whether the assumptions are consistent with our understanding of the Company;
- Discussing with management the potential sensitivities that could impact the forecast and considering the likelihood of these; and
- Assessing the adequacy of the going concern disclosures included within the financial statements.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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.



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.

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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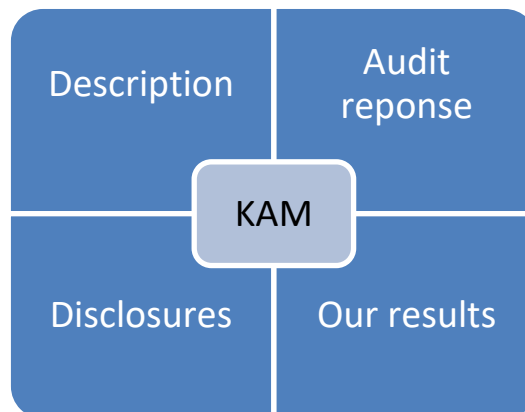
For the year ended 31 March 2021

Our approach to the audit

 	<h3>Overview of our audit approach</h3>
	<p>Overall materiality: £1,080,000, which represents 0.5% of the Company's total assets.</p>
	<p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> Fixed asset investment existence (new in year). <p>Our auditor's report for the year ended 31 March 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to the presentation and disclosure of the bond issue, which was identified as a significant risk and a key audit matter for the Company in the prior year due to the issue of the remaining £60m bond. This significant risk is not relevant to the year ended 31 March 2021.</p>
<p>We performed a full-scope audit of the financial statements of the Company, which, due to the limited number of balances, has resulted in all line items being tested.</p>	

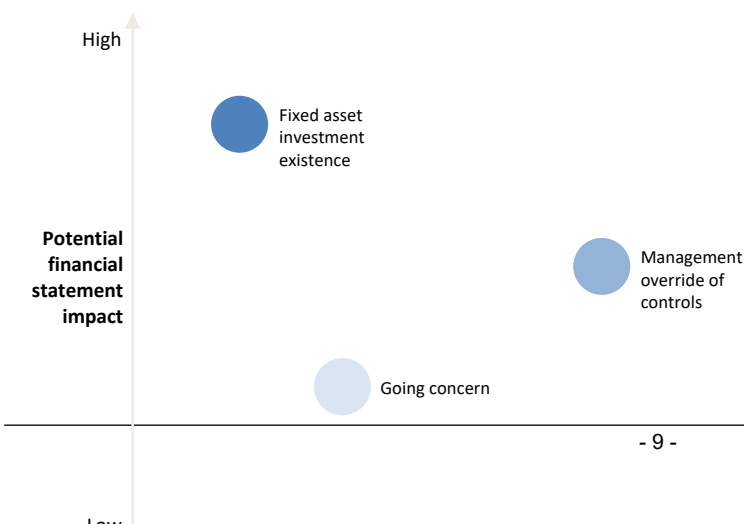
Key audit matters

Key audit matters are those matters that, in our judgement, were of most significance in our audit of statements of the current period and include the significant assessed risks of material misstatement not due to fraud) that we identified. These matters those that had the greatest effect on: the overall audit allocation of resources in the audit; and directing the engagement team. These matters were addressed in our audit of the financial statements as a whole, and our opinion thereon, and we do not provide a opinion on these matters.




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In the graph below, we have presented the key audit matters and significant risks relevant to the audit.



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For the year ended 31 March 2021

	Key audit matter		Significant risk		Other risk
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Key Audit Matter

Fixed asset investment existence

We identified the existence of the fixed asset investment as one of the most significant assessed risks of material misstatement due to error.

As at 31 March 2021, the entire proceeds from the Company's listed bonds of £200m had been on-lent to its parent undertaking, Yorkshire Housing Limited, under the terms of the loan agreement.

The existence of the loan recoverable asset arising under the terms of the loan agreement is considered to be a significant risk and a key audit matter as it is the rights to a return conferred under the terms of this agreement, which substantiates the repayment of the listed bonds. If the asset did not exist, then the Company would not be able to repay the debt owed to the bond holders at the end of the agreement.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Confirmed our understanding of the systems and controls relevant to the fixed asset investment existence;
- Obtained the underlying agreements from management on the issuance of the bond and reviewed the clauses to ensure the amounts raised could be on lent to Yorkshire Housing Limited;
- Obtained the agreement from management in relation to the on-lend of funds raised from the Company to Yorkshire Housing Limited and reviewed the key clauses and agreed the amounts owed by Yorkshire Housing Limited into their accounting records; and
- Recalculated the covenants included within the on-lending agreement.

Relevant disclosures in the Annual Report and Financial Statements 2021

- Accounting policies: Note 2, Financial instruments; and
- Financial statements: Note 8, Investments.

Our results

Based on our audit work, we did not identify any material misstatements with respect to the existence of the fixed asset investment.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,080,000, which represents 0.5% of the Company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: The Company does not make a profit or loss and the only transactions within the Statement of comprehensive income are interest receivable and interest payable which reflect the on-lend between the Company and Yorkshire Housing Limited. The significant balances are therefore the fixed asset investment and the long-term liabilities, and we have

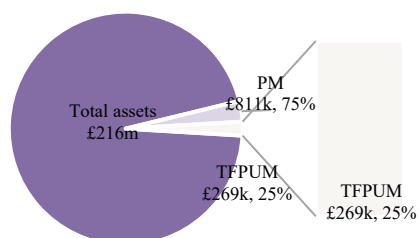
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Materiality measure	Company
	concluded total assets to be the appropriate benchmark as this will determine the Company's ability to settle its liabilities. Materiality for the current year is consistent with the level that we determined for the year ended 31 March 2020.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£811,000, which is approximately 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: our risk assessment identified a strong internal control environment, a small number of immaterial misstatements were identified in the prior year and no significant issues were identified in the prior year that would have an impact on the current year audit.
Communication of misstatements to the Board	We determine a threshold for reporting unadjusted differences to the Board.
Threshold for communication	£54,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



FSM: Financial statements materiality
PM: Performance materiality
TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

Understanding the Company and its environment, including controls

- The engagement team obtained an understanding of the Company, its environment and risk profile, including controls, and assessed the risks of material misstatement'

Work to be performed on financial information of the Company (including how it addressed the key audit matters)

- We identified the existence of the fixed asset investment as a key audit matter and the audit procedures performed in respect of this have been included in the key audit matters section of our report; and
- We performed a full scope audit of the financial statements of the Company.

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Performance of our audit

- All of the audit work and procedures were performed remotely as a result of Government restrictions applied during the pandemic.

Changes in approach from previous period

- In the prior period, we determined the presentation and disclosure of the bond issue to be a significant risk and a key audit matter for the Company due to the issue of the retained £60m of bonds. This was a one off event in the prior year and therefore we do not consider this to result in a significant risk or a key audit matter for the current year.

Other information

The Directors are responsible for the 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. 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.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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 under the Companies Act 2006

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.

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 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 for the financial statements

As explained more fully in the statement of Directors' responsibilities, 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.

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

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 website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company, and the industry in which it operates. We determined that the following laws and regulations were most significant: FRS 102, the Companies Act 2006 and the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority;
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes;
- We enquired of management whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as Board minutes review. From the audit procedures performed, we did not identify any material matters relating to non-compliance with laws and regulations or matters in relation to fraud;
- To assess the potential risks of material misstatement, we obtained an understanding of:
 - The Company's operations, including the expected financial statements disclosures and business risks that may result in a risk of material misstatement; and
 - The Company's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established by management to address the risks related to irregularities and fraud;
 - Identifying and testing related party transactions; and
 - Testing manual journal entries, in particular journal entries relating to management's estimates, and journal entries that we determined to relate to unusual transactions.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the Company operates, and its practical experience through training and participation with audit engagements of a similar nature.

Other matters which we are required to address

We were appointed by the Board on 14 September 2016 to audit the financial statements for the period ended 31 March 2017 and subsequent accounting periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ended 31 March 2017 to 31 March 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

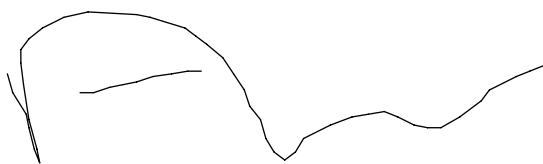
Our audit opinion is consistent with the additional report to the Board.

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.

Yorkshire Housing Finance Plc

For the year ended 31 March 2021



Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds

17/09/2021

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

Statement of Comprehensive Income

	Note	2021 £'000	2020 £'000
Interest receivable and similar income	4	8,038	6,606
Interest payable and similar charges	5	(8,038)	(6,606)
Profit before tax		-	-
Tax on profit on ordinary activities	6	-	-
Profit for the financial year		-	-

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements. The Company has no other comprehensive income other than that passing through the statement of comprehensive income.

Statement of Changes in Equity

	Profit and loss account reserve £'000	Share capital £'000	Total £'000
Balance at 31 March 2019	-	50	50
Total comprehensive income for the year	-	-	-
Balance at 31 March 2020	-	50	50
Total comprehensive income for the year	-	-	-
Balance at 31 March 2021	-	50	50

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

Statement of Financial Position

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	8	212,629	213,030
Current assets			
Debtors: amounts falling due within one year	9	3,286	3,413
Cash at bank and in hand	10	90	50
		-----	-----
		216,005	216,493
Current liabilities			
Creditors: amounts falling due within one year	11	(5,477)	(5,450)
		-----	-----
Net current liabilities		(2,101)	(1,987)
Total assets less current liabilities		210,528	211,043
Creditors: amounts falling due after more than one year	11	(210,478)	(210,993)
		-----	-----
Net assets		50	50
		=====	=====
Capital and reserves			
Called up Share capital	13	50	50
Profit and loss account		-	-
		-----	-----
Total shareholders' funds		50	50
		=====	=====

The accompanying notes form part of these financial statements. The financial statements on pages 15 to 22 were approved by the Board of Directors on 15 September 2021 and signed on its behalf by:



Andrew Oldale
Director
16 September 2021
Yorkshire Housing Finance Plc

Company registration No 09227343
(England and Wales)

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

Notes to the Financial Statements

1. Legal status

Yorkshire Housing Finance Plc is a public limited company, incorporated on 19 September 2014 and registered in England and Wales, registered number 09227343. The Company is registered under the Companies Act 2006 and has listed debt on the London Stock Exchange. The registered office is Dysons Chambers, 12-14 Briggate, Leeds, England, LS1 6ER.

The principal activity of the Company is to provide long term external finance to Yorkshire Housing Group. Within the Group there are two limited companies and one registered social housing provider.

To issue bonds on the London Stock Exchange to the public there is a legal requirement that the issuer is a public limited Company. Yorkshire Housing Finance Plc was incorporated on 19 September 2014 as a subsidiary of Yorkshire Housing Limited and registered as a Plc on 7 October 2014. The financial statements are presented in sterling (£), which is also the functional currency.

2. Principal Accounting policies

Basis of accounting

The financial statements of the Company have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

Disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS102:

- To include a statement of cash flows, on the basis that it is a wholly owned subsidiary of Yorkshire Housing Limited.

Going concern

The Company is a vehicle for raising debt finance for the Group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements, the Company is dependent upon Yorkshire Housing Limited to which the Company has on lent the proceeds of the bond as per the terms of the on lending agreement. Therefore the Going Concern of this Company is reliant on the Groups ability to continue trading and not call due any outstanding amounts.

Yorkshire Housing Finance Plc currently has a net current liability due to amounts owed to the Group undertakings. The Directors have obtained confirmation that these amounts will not be called unless Yorkshire Housing Finance Plc has sufficient funds. Yorkshire Housing Limited has in place long term business plans which demonstrate its ability to meet all of its obligations.

A 30 year business plan has been prepared and presented to board which reflects the ambitions of the group but also includes multi variant stress testing to ensure the Group could continue to trade and remain compliant with covenants through potential downturns in the economy or crisis. Extensive multi variant stress testing has been carried out to model the impact of any economic downturn including any global financial crisis and the ongoing COVID-19 pandemic. Whilst any such downturn would limit the growth included within our business strategy it highlights the Groups ability to continue trading through severe adverse conditions.

From a review of the business plan there are no intentions or indications that the Parent will call amounts owed to it within the 12 months from the date of signing. YHF is reviewed in line with the rest of the Group with detailed forecasting and scenario planning. YHF Directors have reviewed the Group financial forecasts and business plans and are satisfied that the Company will continue to receive interest income from its Parent and be able to meet its financial obligations when they become due. The Directors of Yorkshire Housing Finance Plc have reviewed the business plan and stress testing of the group and are satisfied it will continue to meet its obligations. The period to 31 March 2023 of the business plan forms the basis of our going concern assessment.

On this basis, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt a going concern basis in preparation of its financial statements.

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experiences, knowledge and practice, in addition to expectations of future events which are reasonable under the circumstances.

In preparing the financial statements management are required to make significant judgements and estimates. The items in the financial statements where accounting estimates and assumptions have been made include:

a. **Categorisation of the bond**

Basic/non basic debt categorisation of the bond— the Company has a listed bond, interest on the bond is on a fixed rate basis. The bond meets the definition of basic under section 11 of FRS 102.

b. **Categorisation of loans**

Basic/non basic debt categorisation of loans to group undertakings - the amounts on lent to the group are on the same terms of the bond. The amounts meet the definition of basic under section 11 of FRS 102.

Operating segments

The Board believes that the Company has only one operating segment, therefore had not presented a separate segmental analysis note.

Interest receivable and payable

Interest (receivable and payable) is recognised on an accruals basis using the effective interest rate method and recognised in the Statement of Comprehensive Income over the life of the associated financial instrument.

Bond issue costs

Costs incurred on the issue of the bond finance are recorded as a deduction from the gross proceeds of the loan and included in split between what will unwind in the next 12 months and then the remainder in more than one year. The costs are amortised to the Statement of Comprehensive Income over the term of the loan using the effective interest rate.

Financial instruments

All Financial Instruments meet the criteria of a basic financial instrument as defined in section 11 FRS102. Financial instruments are held in the Statement of Financial Position at gross proceeds less the cost of raising the funds which are amortised over the life of the loan and are accounted for in accordance with FRS102.

The financial instruments are initially recorded at amortised cost, adjusted for transaction costs, discounts or premiums on issue. Subsequent measurement is as follows:

Financial liabilities:

- Bonds are classified as “financial liabilities” under FRS102 and are held at amortised cost using the effective interest rate method to allocate costs of issue, including the discount on issue.
- Accrued interest payable on the Bond is also classified as “other financial liabilities” and held at amortised cost.

Financial assets:

- Loans advanced to Yorkshire Housing Limited are classified as financial assets measured at amortised costs under FRS 102 and are held at amortised cost using the effective interest rate method to allocate cost of issue, including the discount on issue.
- Accrued interest receivable on loans advanced to Yorkshire Housing Limited is classified as “loans receivables” and held at amortised cost as debtors due within one year.

Loan finance issue costs are written off evenly over the expected minimum life of the associated loan. Loans are stated in the Statement of Financial Position at the gross amount less the unamortised portion of the associated issue costs.

3. Operating result

Audit fees amounting to £30k (2020: £22k) are paid by Yorkshire Housing Limited for which there is no recharge.

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

4. Interest receivable and similar income

	2021 £'000	2020 £'000
Amortisation of bond costs	(115)	78
Interest receivable and similar income from Group undertakings	8,153	6,528
	=====	=====

5. Interest payable and similar charges

	2021 £'000	2020 £'000
Amortisation of bond costs	(115)	78
Interest payable on bond finance	8,153	6,528
	=====	=====

6. Tax on profit/loss on ordinary activities

The results do not give rise to a tax charge (2020: nil).

7. Directors and employees

The Company did not employ any staff during the year (2020: nil).

None of the Directors received any remuneration during the financial year in respect of their services as Directors of the Company.

8. Investments

	2021 £'000	2020 £'000
Amounts owed by group undertakings		
At 1 April	213,030	137,613
Additions	-	76,030
Movement in amortised issues costs	(401)	(613)
At 31 March	212,629	213,030
	=====	=====

As at 31 March 2021 the Company had on lent 100% of the receipts from the bond to Yorkshire Housing Limited. The intercompany borrowings have a financial guarantee from Yorkshire Housing Limited which is secured by a first fixed charge over property assets with a value in excess of total borrowings. The group has sufficient net assets and facilities in place to meet their obligations to the Company as they fall due, the Directors of the group consider the credit risk to be low and no provision is made against the amount due.

Interest is due semi-annually on 3 November and 3 May each year with a final maturity date of 31 October 2044. The effective interest rate is 3.772% (2020: 3.772%) before the amortisation of the discount on the issue of the bond is recharged.

The credit risk as at 31 March 2021 is £200m (2020: £200m) which represents the total amount of funds raised from external bond holders through the bond issuance plus accrued interest. This risk is mitigated through several factors; housing assets held as security against the loan, the overall creditworthiness of the group and the guarantees issued by Yorkshire Housing Limited through an inter-Company loan agreement.

9. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	3,286	3,413
	=====	=====

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

10. Cash at bank and in hand

	2021 £'000	2020 £'000
Cash at bank	90	50
	-----	-----
	90	50
	=====	=====

11. Creditors

Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Amount due to bond holders	3,413	3,413
Amount due to group undertakings	2,064	2,037
	-----	-----
	5,477	5,450
	=====	=====

The amount due to group undertakings represents interest owed to the parent less costs incurred on behalf of Yorkshire Housing Finance Plc.

Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Amount due to bond holders	200,000	200,000
Amortised discount on issue	12,629	13,030
	-----	-----
	212,629	213,030
Less bond issue costs	(2,151)	(2,037)
	-----	-----
Total	210,478	210,993
	=====	=====
Unamortised cost of issue (see note below)	2,433	2,433
Amortised to date	(282)	(396)
	-----	-----
	2,151	2,037
	=====	=====

On 31 October 2014 the Company issued £140m 4.125% subordinated guarantee bonds, which are due to mature 31 October 2044. These bonds are secured over defined assets within Yorkshire Housing Limited.

The Company placed £140m bonds at an issue price of 98.175% giving an effective yield of 4.233%.

The proceeds of £137.445m before deduction of costs associated with the issue of the bonds and after the deduction of the discount of £2,155k was then on lent to Yorkshire Housing Limited at the same interest rate. The bond issued by Yorkshire Housing Finance Plc is listed on the London Stock Exchange.

On 18 September 2019 the Company issued the remaining £60m 4.125% subordinated guarantee bonds, which are due to mature 31 October 2044. These remaining bonds are secured over defined assets within Yorkshire Housing Limited.

The Company placed £60m bonds issued at a premium of £15.9m and an effective interest rate of 2.697%.

The proceeds of £75.9m before deduction of costs associated with the issue of the bonds was then on lent to Yorkshire Housing Limited at the same interest rate. The bond issued by Yorkshire Housing Finance Plc is listed on the London Stock Exchange.

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

The borrowings have a financial guarantee from Yorkshire Housing Limited which is secured by a first fixed charge over property assets with a value in excess of total borrowings.

The financial assets and liabilities have fixed interest rates, which result in interest receivable matching interest payable. As such the Company has managed its interest rate risk. The underlying instruments are denominated in sterling and carry no foreign exchange risk. The Company's finances are actively managed in conjunction with the activities of the Group to ensure that there are sufficient funds available to meet liabilities as they fall due, which with the guarantees over property assets in Yorkshire Housing Limited, mitigate any liquidity risk that the Company may face.

All costs relating to the bond issue have been deferred and are amortised over the life of the bond. The premium and discount on the respective bond issues have been netted off in the above disclosures.

12. Financial instruments

	2021 £'000	2020 £'000
Financial assets		
Financial assets measured at amortised cost	215,915 =====	216,443 =====
Financial liabilities measured at amortised cost		
Other interest bearing loans and borrowings	215,955 =====	216,443 =====

Interest rate risk

The interest rate risk profile of the financial liabilities at 31 March 2021 was as follows:-

	2021 £'000	2020 £'000
Fixed rate financial liabilities		
£200m 4.125% dated subordinated guaranteed bonds	200,000 =====	200,000 =====

	Weighted average fixed interest rate %	Weighted average period for which rate is fixed (years)
At 31 March 2021 and 31 March 2020		
£200m dated subordinated loans	3.77	23.50

The financial assets and liabilities have fixed rates which results in them being matched. As such the Company does not bear any credit risk apart from the underlying credit risk to Yorkshire Housing Limited.

Maturity analysis of financial liabilities

The maturity of funding is managed in conjunction with the profile of that of Yorkshire Housing Limited's. The Yorkshire Housing Limited objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. As noted above, the £200m comprising the total of the Company's external debt matures in 23 years.

The maturity profile of the financial liabilities, based on expected maturity date, at 31 March was as follows:-

	2021 £'000	2020 £'000
In less than one year	-	-
In one to five years	-	-
In greater than five years	200,000	200,000

Yorkshire Housing Finance Plc

For the year ended 31 March 2021

The following schedule shows the maturity analysis of the contractual cash flows of the financial liabilities, calculated on an undiscounted basis. The cash flows include the repayment of the principal amount together with the associated interest payments over the term of the financial liabilities.

	2021 £'000	2020 £'000
In less than one year	8,250	8,250
In one to five years	33,000	33,000
Between 5 and 25 years	356,750	365,000
	----- 398,000 =====	----- 406,250 =====

Credit risk

All of the Company's capital markets financing proceeds are on lent to Yorkshire Housing Limited. The credit risk is alleviated through the housing assets security which underwrites the loan to Yorkshire Housing Limited.

Liquidity risk

The Company has lent the full amount of its drawn funds, thus fully offsetting its liabilities. The interest payable by the Company on its debt is fully offset by the interest receivable from Yorkshire Housing Limited.

13. Called up share capital

	2021	2020
50,000 ordinary shares of £1 each allotted; Issued and fully paid	£50,000 =====	£50,000 =====

Ordinary shares are classified as equity, the shares provide a right to vote at general meetings. The shares have been fully paid.

14. Related parties

As the Company is a wholly owned subsidiary of Yorkshire Housing Limited the Company has applied the exemptions permitted under FRS102 and has not disclosed transactions entered into with wholly owned subsidiary undertakings. There are no other related party transactions.

15. Parent Company

The ultimate parent undertaking and controlling party is Yorkshire Housing Limited, a Company incorporated in the United Kingdom.

Yorkshire Housing Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2021. The consolidated financial statements of Yorkshire Housing Limited are available from Dysons Chambers, 12-14 Briggate, Leeds, West Yorkshire, LS1 6ER.