

**Company Registered No: 03302753**

**ORCHARDBROOK LIMITED**

**Annual report and Financial Statements**

**For the year ended 31 December 2022**

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**Annual Report and Financial Statements for the year ended 31 December 2022**

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**Annual Report and Financial Statements for the year ended 31 December 2022**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Apex Corporate Services (UK) Limited  
Apex Trust Corporate Limited  
Sean Peter Martin

**SECRETARY**

Apex Trust Corporate Limited  
6<sup>th</sup> Floor  
125 London Wall  
London  
United Kingdom  
EC2Y 5AS

**REGISTERED OFFICE**

6<sup>th</sup> Floor  
125 London Wall  
London  
United Kingdom  
EC2Y 5AS

**BANKERS**

NatWest Markets plc (formerly known as The Royal Bank of Scotland plc)  
Corporate Banking  
8th Floor  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**AUDITOR**

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London  
E14 5EY  
United Kingdom

**Annual Report and Financial Statements for the year ended 31 December 2022****STRATEGIC REPORT****CHANGE OF REGISTERED OFFICE**

On 20 March 2023, the registered office address of Orchardbrook Limited ("the Company") changed from Bastion House, 6<sup>th</sup> Floor, 140 London Wall, London, England, EC2Y 5DN, United Kingdom to 6<sup>th</sup> Floor, 125 London Wall, London, United Kingdom, EC2Y 5AS.

**ACTIVITIES**

The principal activity of Orchardbrook Limited (the "Company") is investment in asset backed loan notes issued by Finance for Residential Social Housing PLC.

**BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS**

During the period, the Company maintained its investment in asset backed notes. The directors expect the level of activity to remain at the same level in the forthcoming financial year.

The existing loan agreement with NatWest Markets Plc provides a cash margin to cover its ongoing expenses and to provide a profit. The average margin for the year is 0.33% (2021: 0.32%) which is calculated by dividing net interest income with loan asset.

Profit during the year £15,000 (2021: £16,000). Net asset position as at end of 2022 £187,000 (2021: £172,000).

**RISK MANAGEMENT POLICIES AND PROCEDURES**

The principal risks associated with the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan notes issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

**Interest rate risk**

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from NatWest Markets Plc. This funding carries a fixed interest rate of 6.5% p.a. minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing plc yields a fixed interest rate of 6.5% p.a. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

**Credit risk**

The Company regularly monitors its investment in Finance for Residential Social Housing Plc to ensure that it is recoverable.

Refer to Note 13 of the financial statements for a summary of the principal risks facing the Company. These risks are monitored on an on-going basis during the financial year and the Company has policies in place to mitigate these risks.

**GOING CONCERN RISK**

The Company is financed by a loan which is repayable on the maturity in October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

**Annual Report and Financial Statements for the year ended 31 December 2022****STRATEGIC REPORT****GOING CONCERN RISK (CONTINUED)**

The directors acknowledge that the global macro-economic indicators and general business environment remained challenging in 2022. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to businesses and borrowers to whom the Company has exposure.

The COVID-19 pandemic has prompted many changes that may prove to be permanent shifts in customer behaviour and economic activity, such as changes in spending patterns and more working from home. These changes may have long-lasting impacts on the economic environment, including asset prices.

The directors believe that the Company is not directly impacted by the on-going conflict in Ukraine and the associated Russian sanctions. If, as seems likely, the conflict in Ukraine impacts economic growth in Europe, then there could be an indirect effect on the Company, but the directors anticipate the impact would be minimal and certainly no worse than the economic turbulence experienced during the COVID-19 pandemic.

Based on this assessment, the Directors have a reasonable expectation that there is no material impact of Covid-19 and macro-economic factors on the Company's financial instruments valuation or liquidity, and the Company has adequate resources to continue in operational existence for the period to 31st July 2024, which is in excess of 12 months from when the financial statements are authorised for issue.

We continue to monitor the potential impact of the above matters on the Company.

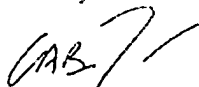
Notwithstanding the risks and uncertainties above, the financial statements have been prepared on the going concern basis.

**DIRECTOR'S DUTIES**

Section 172(1) of Companies Act 2006 requires the directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. As a special purpose vehicle the governance structure of the Company is such that the key policies have been predetermined at incorporation and the transaction documents formulated to achieve the Company's purpose and business objectives, safeguard the assets and promote the success of the Company with a long term view and in accordance with relevant legislation. Furthermore, the Company has a sole member, no employees and as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment.

Directors are supported in the discharge of their duties by the Company Secretary. All directors receive guidance on their statutory duties, including Section 172(1), and were briefed on the reporting requirements introduced by the Companies (Miscellaneous Reporting) Regulations 2019 in advance of the effective date.

Approved by the Board of Directors and signed on behalf of the Board



Colin Benford

Apex Corporate Services (UK) Limited (Director)

Date: 25 July 2023

**Annual Report and Financial Statements for the year ended 31 December 2022****DIRECTORS' REPORT**

The directors present their report on the affairs of Orchardbrook Limited (the "Company") together with the financial statements and auditor's report for the year ended 31 December 2022.

**RESULTS AND DIVIDENDS**

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

No dividends were declared or paid by the Company during the year (2021: £nil) and the directors do not propose a final dividend (2021: £nil).

**DIRECTORS**

The directors who served throughout the year are as follows:

Apex Corporate Services (UK) Limited  
Apex Trust Corporate Limited  
Sean Peter Martin

**AUDITOR**

Ernst & Young LLP has expressed their willingness to continue as auditor.

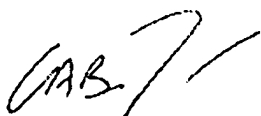
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR**

The directors confirm that:

- a) so far as each of the directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- b) each director has 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board



Colin Benford

Apex Corporate Services (UK) Limited (Director)  
Date: 25 July 2023

**Annual Report and Financial Statements for the year ended 31 December 2022****DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare a Directors Report and 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 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 the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED**

## **Opinion**

We have audited the financial statements of Orchardbrook Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, statement of financial position, Statement of cash flows, the Statement of changes in equity and the related notes 1 to 16, 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 company's affairs as at 31 December 2022 and of its profit 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED**

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the UK Companies Act 2006, Corporation tax Act and Financial Reporting Standard 102 (FRS 102).

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED

- We understood how Orchardbrook Limited is complying with those frameworks by making inquiries of management and the directors of their awareness of any non-compliance or suspected non-compliance with laws and regulations.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the credit risk associated with the investments in loan notes issued by Finance for Residential Social Housing Plc and the likelihood that impairment assessment might not have been performed appropriately. We have performed audit procedures to address this risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquiring of management and directors as well as reviewing board minutes.

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

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst & Young L.L.P.*

Jean-Philippe Faillat  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
27 July 2023

## Annual Report and Financial Statements for the year ended 31 December 2022

## STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Interest income	3	632	632
Interest expense	4	(600)	(601)
Administrative and other expenses	5	(28)	(26)
Other income		14	16
<b>Profit before taxation</b>		<b>18</b>	<b>21</b>
Tax charge	6	(3)	(5)
<b>Profit for the financial year</b>		<b>15</b>	<b>16</b>

All of the amounts above are in respect of continuing operations.

The accompanying notes on pages 13 to 19 are an integral part of these statutory financial statements.

A separate statement of other comprehensive income is not presented as there are no reportable gains and losses in other comprehensive income.

## Annual Report and Financial Statements for the year ended 31 December 2022

## STATEMENT OF FINANCIAL POSITION

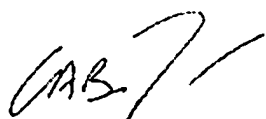
As at 31 December 2022

	Notes	2022 £'000	2021 £'000
<b>NON-CURRENT ASSETS</b>			
Investments - loan notes	7	9,717	9,717
<b>CURRENT ASSETS</b>			
Debtors	8	159	159
Cash at Bank		54	56
		213	215
<b>TOTAL ASSETS</b>		9,930	9,932
<b>CURRENT LIABILITIES</b>			
Creditors	9	(164)	(167)
<b>NON-CURRENT LIABILITIES</b>			
Loan payable	10	(9,576)	(9,589)
Deferred tax liabilities	6	(3)	(4)
		(9,579)	(9,593)
<b>TOTAL LIABILITIES</b>		(9,743)	(9,760)
<b>NET ASSETS</b>		187	172
<b>Capital and reserves</b>			
Share capital	11	-	-
Retained earnings	12	187	172
Total shareholders' equity		187	172
<b>SHAREHOLDERS' FUNDS</b>		187	172

The accompanying notes on pages 13 to 19 are an integral part of the statutory financial statements.

These financial statements of Orchardbrook Limited, registration number 03302753, were approved and authorised for issue by the Board of Directors on 25 July 2023.

Signed on behalf of the Board of Directors



Colin Benford

Apex Corporate Services (UK) Limited (Director)  
Date: 25 July 2023

**Annual Report and Financial Statements for the year ended 31 December 2022****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2022**

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
Balance as at 1 January 2021	-	156	156
Total comprehensive income for the year	-	16	16
Balance as at 31 December 2021	-	172	172
Total comprehensive income for the year	-	15	15
Balance as at 31 December 2022	-	187	187

The accompanying notes on pages 13 to 19 are an integral part of these statutory financial statements.

## Annual Report and Financial Statements for the year ended 31 December 2022

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flow from Operating activities.		
Profit after tax	15	16
Decrease in loan payable	(13)	(13)
Decrease in creditors	(3)	(5)
Decrease in deferred tax liabilities	(1)	-
Net cash outflow in operating activities	(2)	(2)
Decrease in Cash and cash equivalents	(2)	(2)
Opening balance of Cash and cash equivalents	56	58
Closing balance of Cash and cash equivalents	54	56

The accompanying notes on pages 13 to 19 are an integral part of these statutory financial statements.

**Annual Report and Financial Statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

**General Information and basis of accounting**

Orchardbrook Limited is a company limited by shares incorporated in England in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the Directors' Report and Strategic Report.

The accounts have been prepared and presented in Pound Sterling (£) and the level of rounding used in presentation of amounts in the financial statement is thousands.

The financial statements have been prepared under historical cost convention and in compliance with Financial Reporting Standard 102 (FRS 102) issued by Financial Reporting Council. The financial statements have been prepared on a going concern basis as explained in the Directors' and Strategic Report.

The functional currency of Orchardbrook Limited is considered to be Pound sterling because that is the currency of the primary economic environment in which the Company operates.

Due to the fact that the nature of the business is to provide loan finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the statement of comprehensive income.

**Going concern**

The Company is financed by a loan which is repayable on the maturity date of October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

The directors acknowledge that the global macro-economic indicators and general business environment remained challenging in 2022. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose significant challenges to businesses and borrowers to whom the Company has exposure.

The COVID-19 pandemic has prompted many changes that may prove to be permanent shifts in customer behaviour and economic activity, such as changes in spending patterns and more working from home. These changes may have long-lasting impacts on the economic environment, including asset prices.

The directors believe that the Company is not directly impacted by the on-going conflict in Ukraine and the associated Russian sanctions. If, as seems likely, the conflict in Ukraine impacts economic growth in Europe, then there could be an indirect effect on the Company, but the directors anticipate the impact would be minimal and certainly no worse than the economic turbulence experienced during the COVID-19 pandemic.

Based on this assessment, the Directors have a reasonable expectation that there is no material impact of Covid-19 and macro-economic factors on the Company's financial instruments valuation or liquidity, and the Company has adequate resources to continue in operational existence for the period to 31st July 2024, which is in excess of 12 months from when the financial statements are authorised for issue.

**Annual Report and Financial Statements for the year ended 31 December 2022****NOTES TO THE FINANCIAL STATEMENTS****I. ACCOUNTING POLICIES (CONTINUED)****Financial Instruments**

In accordance with FRS 102, the provisions of Section 11 and 12 have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial assets and liabilities are recognised on Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value are classified as loans and receivables. Interest income receivable on cash and cash equivalents is accounted for on an accruals basis using the effective interest rate method.

**Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

**Financial assets**

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest rate method less any impairment losses.

All financial assets are classified as loans and receivables unless otherwise indicated.

**Financial liabilities**

Non-derivative financial liabilities are measured at amortised cost using the effective interest rate method.

**Interest income**

Interest income is accounted for on an accruals basis using effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument. Interest income includes interest receivable on the Series 3 loan notes acquired from Finance for Residential Social Housing Plc.

**Interest expense**

Interest expense paid on NatWest Markets Plc loan is accounted for on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument.

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.



## Annual Report and Financial Statements for the year ended 31 December 2022

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES (CONTINUED)

**Taxation**

Income tax expense or income, comprising current tax and deferred tax, is recorded in the statement of comprehensive income except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at reporting date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at statement of financial position.

**Critical accounting policies and key sources of estimation uncertainty**

The preparation of financial statements in conformity with UK company law requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in order to determine the amortised cost balance of these instruments. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

## 2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company during the year (2021: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2021: none).

The Company does not have any employees (2021: none).

## 3. INTEREST INCOME

	2022 £'000	2021 £'000
Interest income on loan notes	632	632

## 4. INTEREST EXPENSE

	2022 £'000	2021 £'000
Interest expense on loan payable	600	601

## Annual Report and Financial Statements for the year ended 31 December 2022

## NOTES TO THE FINANCIAL STATEMENTS

## 5. ADMINISTRATIVE &amp; OTHER EXPENSES

	2022 £'000	2021 £'000
Audit fee	6	7
Other expenses	22	19
	<u>28</u>	<u>26</u>

## 6. TAXATION

The tax charge for the year comprises:

	2022 £'000	2021 £'000
<b>Current taxation</b>		
Charge for the year	4	5
Current tax charge for the period	<u>4</u>	<u>5</u>
<b>Deferred taxation:</b>		
Credit for the year	(1)	(1)
Under provision in respect of prior periods	-	1
<b>Tax charge for the year</b>	<u>3</u>	<u>5</u>

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 19% (2021: 19%) as follows:

	2022 £'000	2021 £'000
Expected tax charge	3	4
Adjustments in respect of prior periods	-	1
Actual tax charge	<u>3</u>	<u>5</u>

The UK Corporation tax rate for the year was 19%. On 24 May 2021 the UK Government substantively enacted an increase in the UK Corporation tax rate from 19% to 25% with effect from 1 April 2023. Closing deferred tax assets and liabilities have therefore been recalculated taking into account this change of rate and the applicable period when the deferred tax assets and liabilities are expected to crystallise.

	£'000
Deferred tax liability as at 1 January 2021	4
Charge to income account	<u>-</u>
Deferred tax liability as at 31 December 2021	4
Credit to income account	<u>(1)</u>
Deferred tax liability as at 31 December 2022	<u>3</u>

## Annual Report and Financial Statements for the year ended 31 December 2022

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENT IN LOAN NOTES

	2022 £'000	2021 £'000
Series 3 loan notes issued by Finance for Residential Social Housing plc	9,717	9,717

The contractual maturity of the loan notes is in October 2058. The directors consider there has been no impairment in value, as they believe the cost of the notes will be realised in full. The loan note carries a fixed rate of interest of 6.5% p.a.

## 8. DEBTORS

	2022 £'000	2021 £'000
Accrued interest income on loan notes - within one year	159	159

## 9. CREDITORS

	2022 £'000	2021 £'000
Amounts due to Finance for Residential Social Housing Plc	10	10
Accrued Interest on loan	141	141
Audit Fees	6	6
Tax Provision	4	5
Other accruals	3	5
	164	167

## 10. LOAN PAYABLE

	2022 £'000	2021 £'000
Loan payable - amounts falling due after more than one year	9,576	9,589

The loan payable to NatWest Markets Plc carries a fixed rate of interest of 6.5% p.a. minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan). The annual effective interest rate applicable to these notes at the year end was 6.24% p.a. (2021: 6.24% p.a.) and the contractual maturity is in 2058.

## 11. SHARE CAPITAL

	2022 £	2021 £
Allotted, called up and fully paid		
1 ordinary share of £1	1	1

## Annual Report and Financial Statements for the year ended 31 December 2022

## NOTES TO THE FINANCIAL STATEMENTS

## 12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2022 £'000	2021 £'000
Opening equity shareholders' funds	172	156
Profit for the financial year	15	16
Closing equity shareholders' funds	187	172

## 13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise of fixed rate notes, loan payable and cash. Accrued interest income, accrued interest payable and other items arise, from its operations.

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan notes issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet:

As at 31 December	Carrying amount £'000	Contractual cash flows £'000	0-3 months £'000	3 months- 1 year £'000	1-5 years £'000	5 years and over £'000
<b>2022</b>						
Loan payable	(9,576)	(24,303)	-	(471)	(2,439)	(21,393)
Other creditors	(164)	(164)	-	(164)	-	-
	(9,740)	(24,467)	-	(635)	(2,439)	(21,393)

As at 31 December	Carrying amount £'000	Contractual cash flows £'000	1-3 months £'000	3 months- 1 year £'000	1-5 years £'000	5 years and over £'000
<b>2021</b>						
Loan payable	(9,589)	(25,060)	-	(613)	(2,443)	(22,004)
Other creditors	(167)	(167)	-	(167)	-	-
	(9,756)	(25,227)	-	(780)	(2,443)	(22,004)

## Annual Report and Financial Statements for the year ended 31 December 2022

## NOTES TO THE FINANCIAL STATEMENTS

## 13. FINANCIAL INSTRUMENTS (CONTINUED)

## Liquidity risk (Continued)

## Interest rate risk

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from NatWest Markets Plc. This funding carries a fixed interest rate of 6.5% p.a minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing Plc yields a fixed interest rate of 6.5% p.a. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

## Credit risk

The Company regularly monitors its investment in Finance for Residential Housing Plc to ensure that it is recoverable.

## 14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ordinary shares of the Company are held by Royal Exchange Trust Company Limited under a trust deed for charity beneficiaries. The Company does not have a controlling party.

## 15. RELATED PARTY TRANSACTIONS

Royal Exchange Trust Company Limited owns 100% of Finance for Residential Social Housing (Holdings) Limited and Orchardbrook Limited. Finance for Residential Social Housing (Holdings) Limited holds the shares in Finance for Residential Social Housing Plc. Transactions between Finance for Residential Social Housing Plc and Orchardbrook Limited are deemed related party transactions. The table below summarises the transactions with Finance for Residential Social Housing Plc which wholly relate to the Company's investment in loan notes issued by Finance for Residential Social Housing Plc:

	Statement of Financial Position		Statement of Comprehensive Income	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Interest income on loan notes	-	-	632	632
Interest accrued on loan notes	159	159	-	-
Series 3 loan notes	9,717	9,717	-	-
Amounts due to Finance for Residential Social Housing Plc	10	10	-	-

## 16. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no subsequent events after the statement of financial position date.