Registered number: 03665612

RSL FINANCE (NO.1) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

RSL FINANCE (NO.1) PLC

COMPANY INFORMATION

DIRECTORS	Apex Trust Corporate Limited Apex Corporate Services (UK) Limited Peter David Malcolm *(Appointed on 31 January 2024)* Colin Arthur Benford *(Resigned on 31 January 2024)*	
COMPANY SECRETARY	Apex Trust Corporate Limited	
REGISTERED NUMBER	03665612	
REGISTERED OFFICE	*As from 18 November 2024* 4th Floor 140 Aldersgate Street London United Kingdom EC1A 4HY	*Up to 18 November 2024* 6th Floor 125 London Wall London United Kingdom EC2Y 5AS
INDEPENDENT AUDITOR	Bright Grahame Murray Chartered Accountants and Statutory Auditors Emperor's Gate 114a Cromwell Road Kensington, London SW7 4AG	

RSL FINANCE (NO.1) PLC

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RSL FINANCE (NO.1) PLC

STRATEGIC REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

The directors (the "Directors") present the strategic report of RSL Finance (No.1) Plc (the "Company") for the year ended 31 May 2024.

Principal activities
The Company was incorporated in the United Kingdom ("UK") and registered in England and Wales on 5 November 1998, as a public company with limited liability under the Companies Act 2006.

The Company's registered office address is 4th Floor, 140 Aldersgate Street, London, United Kingdom, EC1A 4HY.

The Company is a special purpose vehicle ("SPV") established to issue fixed rate loans. The Company issued £342,950,000 of secured loan backed notes at a premium of £29,483,647 and used the proceeds to provide loans to five residential and social landlords (the "borrowers"). The loans were issued at a premium of £28,633,647.

On 4 April 2023, the Clarion (Broomleigh) Housing Association outstanding loan was fully repaid and on 23 June 2023, the L&Q Housing Association outstanding loan was fully repaid. In this respect, the related loan notes for all three were also fully redeemed and cancelled and no cash settlement was made. The loans with a principal of £26,549,319 was offset against the notes and the corresponding premium reversed.

Business review
The performance of the Company is in line with expectations. In addition to interest earned on customer loans, the Company also receives interest from investments in gilts. Interest rates on the loans are fixed. Gross profit of £56,000 (2023: £87,000) recorded in the statement of comprehensive income is due to the amortisation of the premium on the loans, amortisation of the premium on the loan notes and the interest on the gilts.

There have been no changes to the nature of the business.

Market overview and future developments
All the underlying collateral properties for the mortgage assets in the Company are in the UK and hence the Company's prospects are closely linked to economic conditions in the UK. The Company is continuing to evaluate the likely economic, political and regulatory risks arising from June 2016 referendum in relation to the UK's membership of the European Union ("EU") on the entity's business strategy and business risks in the short, medium and long term.

In the year 2024, average UK house prices increased by 0.5% & 0.6% in June & July 2024, respectively and eventually rose by another 2.8% in August 2024, with the annual change in house prices increasing to 1.5%

There has been no significant impact on the entity's business activities, there is no immediate change in its business strategy and there is no effect on the going concern position of the entity. The Directors will continue to monitor developments closely and make appropriate changes to its business as required.

Borrower repayments are monitored closely to ensure any potential or actual borrower defaults are identified and managed closely to mitigate losses to the Company. There have been no borrower defaults identified in the financial year to 31 May 2024 (2023: none).

Principal risks and uncertainties
Macroeconomic environment and political uncertainty
This year the UK's economic performance has been impacted by external factors such as the war in Ukraine.

The year has been characterised by price increases caused by the disruption of global supply chains, particularly in energy, which has led to escalating inflation. As of July 2024, the CPI rose by 2.2% over the previous 12 months, up from 2.0% in June 2024, indicating a stabilization in inflation rates compared to the higher levels seen in previous years.

According to Nationwide, October 2023 saw a 0.9% increase in UK house process, after taking into account of the seasonal effects which resulted in an improvement in the annual rate of the house price growth to -3.3%, from -5.3% in September. Halifax most recent data indicates an average rise of 1.1% in October 2023 following a fall of 0.4% in September & October figures reveal an annual change of -3.2%.

Principal risks and uncertainties (continued)

Credit risk

The principal credit risk to the Company is that the borrowers will not be able to meet their obligations as they fall due. The major asset of the Company is loans to customers. The recoverability of the loans to customers is a key factor in the Directors' assessments of the Company's credit risk. The performance of the borrowers is monitored against their loan covenants on every interest payment.

The Company also appointed an independent valuation service provider to assess any increase in credit risk, such as future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts and governmental bodies. In particular, the Company has taken into consideration the actual or expected performance of the debtors, in order to identify any significant deterioration in the operating results. Further information has been provided in note 16.

The Company manages credit risk by having comfort that there are no defaults on the semi annual interest receipts from the borrowers. The borrowers also produce semi-annual compliance certificates where they have to meet certain covenants for the current year. These are monitored for potential increase in credit risk..

In addition, the Company monitors the financial performance of both borrowers by reviewing their financial statements.

Flagship Housing Group had a profit after tax of £57m (2023: £54m) and considering the net asset position of £1,044m (2023: £986m), the Directors continue to expect to recover the loans in full. In addition, Flagship has provided post year end compliance certificate which shows that the covenants are still complied with, to give the Directors comfort.

The L&Q loan has been repaid in full during the financial year leaving Flagship as the only outstanding loan at the time of signing this report.

Currently there are no items on the latest financial statements from the borrowers suggesting that the financial position of the borrowers and ability to meet its contractual obligations is at risk, therefore, the Directors are confident that the borrowers would be in a position to pay off their debt.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

Liquidity risk is mitigated by matching timing of payments due on borrowings with receipts from loan assets, receipts from gilts and interest earned on cash. The Company maintains adequate cash reserves to cover other operational costs.
Further information has been provided in note 16.

Financial key performance indicators

Key performance indicators for the Company are net interest income, borrowers' default and expected credit losses ("ECL"). During the financial year, the Company continued to collect repayments on customer loans. Interest income amounted to £6,264,000 (2023: £10,303,000), and the total interest expense amounted to £6,208,000 (2023: £10,216,000), generating a total gross profit of £56,000 (2023: £87,000).

The loss for the financial year, after taxation, amounted to £346,000 (2023: loss £94,000).

There were no defaults during the financial year (2023: nil defaults) and no ECL was recognised (2023: £nil).

The Company does not have any non financial key performance indicators.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. No significant change in the business of the Company is expected in the foreseeable future. Further detail is set out in note 1.2 to the financial statements.

Corporate governance
The Directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling the Directors to comply with the regulatory obligations.

The Company has reviewed the requirements of the UK Code of Corporate Governance Code and the Disclosure and Transparency Rules ("DTR"). Given the nature of the governance activities described above, the Company is satisfied there is no requirement to form an audit committee. This is consistent with the exemption afforded under DTR 1B.1.3R which exempts a company whose sole business is to act as the issuer of asset-backed securities from the requirement to form an Audit Committee provided this is explained in a public statement.

DIRECTORS' DUTIES AND SECTION 172 STATEMENT
The Directors are well aware of their duty to act in accordance with the Companies Act. These include a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty is central to the Board's decision-making processes and outcomes.

a) **The likely consequences of any decision in the long-term**
The Company is a special purpose vehicle ("SPV") established to issue fixed rate loans. The Company issued £342,950,000 of secured loan backed notes at a premium of £29,483,647 and used the proceeds to provide loans to five residential and social landlords (the "borrowers"). The loans were issued at a premium of £28,633,647. On 4 April 2023, the Clarion (Broomleigh) Housing Association outstanding loan was fully repaid and on 23 June 2023, the L&Q Housing Association outstanding loan was fully repaid. In this respect, the related loan notes for all three were also fully redeemed and cancelled and no cash settlement was made. The Directors are of opinion that the Company does not have any intention to wind up in the foreseeable future.

b) **Interests of the Company's employees**
The Company has no employees and services required are contracted to its related party.

c) **The need to foster the Company's business relationships with suppliers, customers and others**
The Directors consider the principal business relationship of the Company to be the relationship with the borrowers and noteholders. The Board believes that through maintaining regular contact and being transparent in all dealings with these parties a positive business relationship has been achieved.

The Directors ensure that all business decisions are taken in the interest of the key stakeholders, namely the note holders.

d) **The desirability of the Company maintaining a reputation for high standards of business conduct**
The Board recognises the importance of the business's reputation with its funding providers. To this end, the Company has always complied with the terms of the Notes and other liabilities as stipulated by lenders, on time and in full.

The borrower also produce biannual compliance certificates where they have to meet certain covenants for the current financial year. The Directors reviewed both the Loan covenants and financial information from the borrowers and it was noted that they both have capacity to meet its contractual cash flow obligations in the near term.

e) **The need to act fairly as between members of the Company**
The fully paid shares were issued on incorporation. One share is held by Royal Exchange Trustee Nominees Limited. 49,999 shares of the Company are held by RSL Finance (Holdings) Limited, all of whose shares are held by Royal Exchange Trustee Nominees Limited on trust under the terms of a Declaration of Trust dated 26 November 1998, subsequently updated on 23 September 2022.

This report was approved by the Board of Directors on December 3, 2024 | 3:33 PM GMT ………………….. and signed on its behalf.

Director
Peter David Malcolm

RSL FINANCE (NO.1) PLC

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

The Directors present their report and the audited financial statements for the financial year ended 31 May 2024.

EVENTS SUBSEQUENT TO FINANCIAL YEAR END
Events after the reporting date are disclosed in note 19 to the financial statements.

FUTURE DEVELOPMENTS
No changes in the principal activities of the Company are foreseen.

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS
The principal risks, uncertainties and financial instruments are explained in the strategic report on pages 1-3.

DIVIDENDS
The Directors do not recommend the payment of a dividend during the financial year (2023: £nil).

DIRECTORS
The Directors who served during the financial year were:

Apex Trust Corporate Limited
Apex Corporate Services (UK) Limited
Peter David Malcolm

Colin Arthur Benford resigned as director on the 31 January 2024 and Peter David Malcolm was appointed as director on the same date.

The Directors do not have any indemnity (2023: £nil).

EMPLOYEES
The Company has no employees (2023: none). Apex Trust Corporate Limited performs the company secretarial function as well as providing administrative and accounting services. Prudential Trustee Company Limited provides trustee and cash management services to the Company.

DISCLOSURE OF INFORMATION TO AUDITOR
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be 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.

INDEPENDENT AUDITOR
On 6 January 2023, Bright Grahame Murray was appointed as independent auditor in accordance with Section 485 of the Companies Act 2006. The auditor, Bright Grahame Murray will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the Board of Directors on December 3, 2024 | 3:33 PM GMT ……………………………. and signed on its behalf.

Director
Peter David Malcolm

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (or "IFRS") as adopted by the UK. 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 IFRSs have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors responsibility statement
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- the strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on December 3, 2024 | 3:33 PM GMT ……………………………..and is signed on its behalf by:

Director
Peter David Malcolm

Independent auditor's report to the members of RSL Finance (No.1) PLC

Opinion

We have audited the financial statements of RSL Finance (No.1) PLC (the 'company') for the year ended 31 May 2024 which comprise of the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2024 and of the company's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed entities and 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

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.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;

- Considering the inherent risks associated with the company's business model including the 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 relevant disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period;

- Making inquiries with the Directors and reviewing the board minutes and available written communication with counterparties in order to understand the future plans and to identify potential contradictory information;

- Assessing the adequacy of the disclosures with respect to the going concern assertion.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

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

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Overall audit strategy

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Based on considerations set our below, our audit areas of focus included:

- Existence and valuation of loans receivable measured at amortised cost.
- Review of estimation of expected credit losses under IFRS 9.

How we tailored our audit scope

The company is a special purpose vehicle with listed debt in the XLON, a regulated market in the London Stock Exchange. The directors control the affairs of the company and they are responsible for the overall investments policy which is determined by them. The company engages the directors to manage certain duties and responsibilities with regards to the day-to-day management of the company. We tailored the scope of audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the operational structure of the company, the accounting processes and controls, and the industry in which the company operates.

The company has delegated certain responsibilities to the Administrator including maintenance of the accounting records. The financial statements, which remain the responsibility of the directors, are prepared on their behalf by the Administrator. The company has appointed a Banker to hold the company's assets.

In establishing the overall approach to our audit, we assessed the risk of material misstatement taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

Key Audit Matters	Description of Significant Matters and Our Audit Response
Existence and valuation of loans receivable Review of estimation of expected credit losses under IFRS 9.	There is a risk that the financial assets that the company invests in do not exist or that the balances included in the Statement of Financial Position of the company at 31 May 2024 are not valued in line with IFRS as adopted by the UK. Significant auditor's attention was deemed appropriate because of the materiality of the loans. The allowance for impairment losses is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires allowance for impairment losses to be determined on an Expected Credit Loss ('ECL') basis. The entity uses a model to determine the expected losses which requires judgement when determining the input parameters and requires assumptions in determining the probability of default. Due to the subjective nature of these assumptions, there is an increased risk or error. The allowance for impairment losses relating to the entity's exposure to credit risk requires the directors to make judgement over the ability of the counterparties to make future loan repayments. Additional judgement is required to required to determine staging allocation where quantitative and qualitative metrics are considered to identify whether there has been a significant increase in credit risk. An ECL is recorded to the extent it is considered material to the entity. The ECL charge for 2024 is £nil (2023:£nil). The following audit work has been preformed to address the risk: • Obtained direct independent confirmation of the existence of the loans from the counterparties and agreed to amounts held to the accounting records; • Recalculated the amortised cost of the loans based on the effective interest method; • Completed an impairment review by reviewing the borrowers' latest signed financial statements and credit rating noting no concerns that would indicate the borrower could not repay the loans. • Reviewed compliance of the performance of the borrowers against their loan covenants on every interest payment date; • Confirmed that the loans continued to perform post year end in accordance with the agreements by tracing a sample of principal and interest receipt post year end to the bank statements. • Considered the appropriateness of methodology used by management for expected credit losses; • Tested the mathematical integrity of the model; • Reviewed the assumptions used in applying the methodology adopted and assessed them for reasonableness; • Tested the completeness of the loan portfolio applied to the model; • Tested the process in place at the company to allocate loans to the IFRS 9 credit risk stages; • Assessed the suitability and relevance of the key assumptions applied to determine probability of default and loss given default; and • Engaged external specialists to review the appropriateness of the methodology and the underlying assumptions. Our observations • Based on the work performed, we found that the financial assets exist and are valued in line with IFRS. The assumptions used by the management in the impairment assessment are reasonable and that the allowance for impairment losses as at 31 May 2024 is consistent with the requirements of IFRS 9.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£ 1,100,000
How we determined it	1% of total assets
Rationale for benchmark applied	We consider total assets as the key benchmark as it is the main driver of repayments to the loan note holders. As such, we based our materiality levels based on this benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £825,000 which represents 75% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £55,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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 material misstatements in respect of irregularities,including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statement, may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which procedure are capable of defecting irregularities including fraud is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations relate to Data Privacy law, and listing requirements of the London Stock Exchange to which the company's debt are listed, and we considered the extent to which non- compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional skepticisms through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but were not limited to:

- inquiries of company's directors on the policies and procedures in place regarding compliance with laws and regulations,including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual,suspected or alleged fraud;
- inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings during the year to corroborate inquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;challenging assumptions and judgements made by management in their significant accounting estimates surrounding the measurement of the provision for expected credit losses;
- review of the financial statement disclosures to underlying supporting documentation and inquiries of the directors; and
- the engagement partner has assigned engagement team members who, collectively, have relevant industry knowledge,knowledge of applicable accounting framework (i.e. IFRS, as adopted by the UK) and auditing standards (i.e. ISA UK), and proficiency in applicable regulatory reporting rules and other requirements for the company.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion,forgery, intentional omissions, misrepresentations or override of internal controls.

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.

Other matters which we are required to address

We were initially appointed on 6 January 2023 to audit the financial statements for the period ended 31 May 2022 and subsequent financial periods. We were reappointed by the Board of Directors to audit the financial statements for the year ended 31 May 2023 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the periods ended 31 May 2022 to 31 May 2024.

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 of directors.

Use of the audit 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.

Ahsan Miraj

Ahsan Miraj (Senior Statutory Auditor)
For and on behalf of Bright Grahame Murray
Chartered Accountants
Statutory Auditor
Emperor's Gate
114a Cromwell Road
Kensington
London
SW7 4AG

Date: 11 December 2024

RSL FINANCE (NO.1) PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Notes	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Interest income	4	**6,264**	10,303
Interest expense	5	**(6,208)**	(10,216)
GROSS PROFIT		**56**	87
Other operating income	6	**110**	16
Other operating expense	7	**(214)**	(195)
OPERATING LOSS		**(48)**	(92)
Fair value change in treasury gilts		**16**	(2)
Loss on disposal		**(314)**	-
LOSS BEFORE TAXATION		**(346)**	(94)
Tax	8	**-**	-
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		**(346)**	(94)

All amounts relate to continuing operations.

The notes on pages 16 to 27 form an integral part of the financial statements.

RSL FINANCE (NO.1) PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2024

	Notes	31-May-24 £000	31-May-23 £000
NON-CURRENT ASSETS			
Financial assets	10	104,033	136,515
CURRENT ASSETS			
Financial assets due within one year	10	4,355	5,128
Other receivables	11	1,193	1,482
Cash and cash equivalents	9	251	275
		5,799	6,885
CURRENT LIABILITIES			
Financial liabilities due within one year	13	(4,341)	(5,104)
Other payables	12	(1,168)	(1,448)
NET CURRENT ASSETS		290	333
NON-CURRENT LIABILITIES			
Financial liabilities maturing after more than 1 year	13	(103,465)	(135,635)
Deferred consideration	14	(106)	(115)
NET ASSETS		752	1,098
CAPITAL AND EQUITY			
Share capital	15	13	13
Retained earnings		739	1,085
TOTAL SHAREHOLDERS' FUNDS		752	1,098

The financial statements of RSL Finance (No. 1) PLC, Company registration 03665612 were approved and authorised for issue by the Board of Directors and were signed on its behalf on December 3, 2024 | 3:33 PM GMT

Director
Peter David Malcolm

The notes on pages 16 to 27 form an integral part of the financial statements.

RSL FINANCE (NO.1) PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 June 2022	13	1,179	1,192
Loss for the financial year	-	(94)	(94)
Closing balance for the year ended 31 May 2023	13	1,085	1,098
Balance as at 31 May 2023	13	1,085	1,098
Balance as at 1 June 2023	13	1,085	1,098
Loss for the financial year	-	(346)	(346)
Closing balance for the year ended 31 May 2024	13	739	752
Balance as at 31 May 2024	13	739	752

The notes on pages 16 to 27 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2024

	Notes	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Operating activities			
Loss before taxation		**(346)**	(94)
Decrease in other receivables	11	**289**	492
Increase/(Decrease) in other payables	12	**(261)**	(403)
Interest income on treasury gilts	4	**(15)**	(13)
Amortisation of notes premium	5	**(440)**	(641)
Amortisation of loan premium	4	**443**	612
Realised loss on write off of loan		**314**	20
Fair value movement on treasury gilts		**(16)**	2
(Decrease)/Increase in deferred consideration payable	14	**(9)**	35
Cash (outflow)/inflow from operating activities before tax		**(41)**	10
UK Corporation tax paid	8	**-**	-
Net cash (outflow)/inflow from operating activities		**(41)**	10
Cash flow from investing activities			
Interest income on gilts	4	**15**	13
Redemption of financial assets	10	**4,081**	5,927
Net cash inflow from investing activities		**4,096**	5,940
Cash flow from financing activities			
Redemption of financial liabilities	13	**(4,079)**	(5,903)
Net cash outflow from financing activities		**(4,079)**	(5,903)
(Decrease)/increase in cash and cash equivalents		**(24)**	47
Cash and cash equivalents at beginning of financial year		**275**	228
Cash and cash equivalents at end of financial year		**251**	275

The notes on pages 16 to 27 form an integral part of the financial statements.

GENERAL INFORMATION
RSL Finance (No.1) Plc is a company incorporated in the UK under the Companies Act 2006. The Company is public company limited by shares and is registered in England and Wales. The address of the registered office is given on the Company Information page. The Company is an SPV established to issue fixed rate loans to certain Housing Associations and to service notes issued to finance such advances.

1 SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standard (or "IFRSs") as adopted for use in the UK and in accordance with the requirements of the Companies Act 2006, as far as they apply to companies preparing accounts under IFRS modified for the fair value of certain financial instruments under IFRS 9 Financial Instruments ("IFRS 9"). The financial statements are rounded to the nearest thousand.

1.2 Going concern

This year the UK's economic performance has been impacted by external factors such as the war in Ukraine.

The year has been characterised by price increases caused by the disruption of global supply chains, particularly in energy, which has led to escalating inflation. As of July 2024, the CPI rose by 2.2% over the previous 12 months, up from 2.0% in June 2024, indicating a stabilization in inflation rates compared to the higher levels seen in previous years.

According to Nationwide, October 2023 saw a 0.9% increase in UK house process, after taking into account of the seasonal effects which resulted in an improvement in the annual rate of the house price growth to -3.3%, from -5.3% in September. Halifax most recent data indicates an average rise of 1.1% in October 2023 following a fall of 0.4% in September & October figures reveal an annual change of -3.2%.

After making enquiries and taking into consideration that the Company continued to collect repayments on loans to customers, the Directors have a reasonable expectation that the Company has access to adequate resources to continue to operate in the foreseeable future. The Directors have therefore prepared these financial statements on the going concern basis.

1.3 New and amended IFRS Standards that are effective for the current period

In the current period, the Company has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
Some contracts may be loss-making from the outset or become loss-making during their life cycle. The amendments to IAS 37 Provision, Contingent Liabilities and Contingent Assets, which clarify the types of costs a Company includes as 'the costs of fulfilling a contract' when assessing whether a contract is onerous.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Standards issued but not yet effective

The following relevant new IFRS standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2024, as adopted by UK, and have not been early adopted:

Description	Effective date
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	1 January 2024
Amendments IFRS 16 Leases for Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21 Lack of Exchangeability	1 January 2025

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. However, the Directors expect that the standards will not have a material effect on the financial statements.

1.5 Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount.

Interest income shows interest receivable and the amortisation of the premium associated with the financial assets (note 4).

1.6 Interest expense

Interest expense is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial liability to that liability's carrying amount.

Interest expense shows interest payable and the amortisation of the issue costs and premium associated with the financial liabilities (note 5).

1.7 Effective interest rate

The effective interest (or "EIR") method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

1.8 Fee income

Fee income represents the fee income reimbursement of administration expenses by the borrower in accordance with the loan agreement and is recognised on an accruals basis.

1.9 Financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Financial instruments (continued)

The financial instruments held by the Company include the following:

- Financial assets at amortised cost;
- Financial assets at fair value through profit or loss ("FVTPL"); and
- Financial liabilities at amortised cost

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at Fair Value through Other Comprehensive Income ("FVOCI") as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as solely payment of principal and interest ('SPPI') and a business model test. Financial assets that fail the SPPI test will be measured at fair value through the income statement or through other comprehensive income. For assets passing the SPPI test, a business model test assesses the objective of holding the asset and the contractual cash flow characteristics of the underlying assets.

Loans have been classified as financial assets at amortised cost as the contractual terms of the financial asset give rise to cash flows that are solely payments of capital and interest on the principal amounts outstanding in line with the above business model test. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The provision for ECL is estimated annually and the difference is recognised in profit or loss.

Treasury 2.5% index-linked stock ("treasury gilts")

The treasury 2.5% index-linked stock has been measured at fair value through profit or loss and is accounted for at fair value, with any gains or losses arising on fair value movements recognised in the statement of comprehensive income. The fair value is determined using quoted market prices.

These financial assets are measured at FVTPL, that is:

- assets are held for trading or;
- assets with contractual cash flows that are not SPPI or/and;
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell (such as assets managed on fair value basis)

Loans to customers

Loans to customers are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows. The loan to customers are initially measured at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by ECL. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Financial instruments (continued)

Financial liabilities

Notes issued are classified as other financial liabilities at amortised cost and are initially recognised at fair value at the date of issuance of the liabilities and are subsequently measured at amortised cost using the effective interest rate method.

Loan notes

The loan notes were issued at a premium. They are classified as "financial liabilities" and are initially recognised at fair value at the date of issuance of the liabilities, and subsequently measured at amortised cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. It exactly discounts estimated future cash payments including the premium through the expected life of the financial liability, or, where appropriate, a shorter period. The loan notes are listed on London Stock Exchange.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss is also recognised in profit or loss.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets.

On derecognition of a financial assets, the difference between the carrying amount of the asset/liability (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the Statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

1.10 Impairment

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on all financial assets at amortised cost. ECL are estimated based on the repayment profile of the Loans. The assessment is performed annually.

Significant increast in Credit Risk

For the purposes of the Company's credit risk oversight, a significant increase in credit risk is identified when the financial asset goes into arrears exceeding 30 days. This period is reasonable given the structure of the Loans.

Definition of default

An event of default is defined as when a borrower goes into payment arrears in excess of 90 days or the Company determines that the borrower can no longer repay the loan. The primary evidence of an event of default is the borrower going into payment arrears on account of missed quarterly payments in excess of 90 days.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Impairment (continued)

Stages of ECL measurement
A three-stage approach to impairment has been applied as follows:

Stage 1 - Performing loans - the recognition of 12 month ECL, that is the portion of lifetime ECLs from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 - Underperforming loans - Loans that are more than 90 days in arrears as at the reporting date, lifetime ECLs are recognised reflecting the increased credit risk since initial recognition; and

Stage 3 - Non-performing loans - lifetime ECLs for loans that are in default and a repossession is required reflecting the impairment of the asset.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. The use of cash is restricted under the terms of the secured loan notes issued.

1.12 Taxation

The Company has elected to be taxed under the Taxation for Securitisation Companies 2006 (Regulations) i.e. the permanent regime. Corporation tax is therefore calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market rather than its accounting profit.

1.13 Value added tax

Value added tax is not recoverable by the Company and is included with its related cost.

1.14 Deferred consideration

Deferred consideration represents the payment of excess profits under the terms of the loan purchase agreements. Deferred consideration is payable annually to Royal Bank of Scotland ("RBS") and final deferred consideration is payable on the maturity of the financial assets. The fair value of deferred consideration is derived from the present value of future cash flows.

1.15 Functional and Presentation currency

The Company's main transactions are in Pounds Sterling (GBP) and therefore the functional and presentational currency used by the Company is GBP.

2 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

The preparation of financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expense, in particular the estimation of future cash flows on the portfolio of loans in order to determine the amortised cost balance of these investments. 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 information.

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.

2.1 Critical accounting judgements

The following are critical judgements, apart from those involving estimations (presented separately below) that the Directors have made in the proves of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Significant increase in credit risk
As explained in note 1, ECL are measured as an allowance equal to 12 month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. For the purposes of the Company's credit risk oversight, a significant increase in credit risk is identified when the financial asset goes into arrears exceeding 30 days. This period is reasonable given the structure of the Loans. An arrears exceeding 90 days would indicate that the loan is credit impaired. The loan moves to the Stage 2 when it goes into arrears exceeding 30 days from the expected payment date and further moves to the Stage 3 when the arrears exceeds 90 days.

2 CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY (continued)

2.1 Critical accounting judgements (continued)

While estimating credit risk of the Loans, we understand that there have been no arrears in the interest payments by the borrowers as of the assessment date. Therefore, as described in the credit rating assessment sections above, we understand that there has not been a significant increase in the credit risk of the borrowers since initial recognition. As such, we categorized the Loans as Stage 1.

2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Effective interest rate

The Company uses the EIR method to recognise income from of its loan assets. To calculate the appropriate EIR, the Company makes assumptions of the future cash flows, including the anticipated level of early redemption.

Provision for expected credit losses

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and market conditions and how these drivers will affect each other. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

When determining PD, management analyse the credit risk attached to the loans from customers and determine if this has increased significantly since the initial recognition of the loans. This allows management to classify the loan into various stages which have different considerations for calculating the ECL. Management has determined that all two outstanding loans from customers are in stage 1. Subsequently, management then determined PD via analysis of external data and internal factors. Management have used various rating agencies such as S&P and Moody's as basis for the estimate. These ratings are arrived at via independent calculations and analysis.

This is then multiplied to the LGD – being the percentage that could be lost – and the exposure at loss. All two customer loans are securitised against the housing property acquired by the counterparty with the funds borrowed from the Company. All outstanding loans are securitised and are considered first legal mortgages as per deed of charge. This means that in case of default or bankrupt of any of the counterparties, the Company ranks first when it comes to recover the asset used as security to offset the outstanding debt. Management has used financial information from the borrowers to estimate the LGD.

Due to highly collateralised customer loans and low credit risk attached to each borrower, the Company would not incur a loss in the event of default.

The Company does not consider the ECL as at 31 May 2024 to be material. As a result, no impairment provision has been recorded for the year to 31 May 2024.

3 STAFF COST

The Company has no employees other than the Directors, who did not receive any remuneration (2023: nil).

The Directors had no material interest in any contract of significance in relation to the business of the Company in the current or prior year.

4 INTEREST INCOME

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Interest income on loans	**6,692**	10,902
Interest income on gilts	**15**	13
Amortisation of loan premium	**(443)**	(612)
	6,264	10,303

5 INTEREST EXPENSE

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Interest payable on secured loan 6.625% due 2038 (2023: 6.625%)	**6,648**	10,857
Amortisation of loan note premium	**(440)**	(641)
	6,208	10,216

6 OTHER OPERATING INCOME

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Other operating income	**110**	16
	110	16

7 OTHER OPERATING EXPENSES

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Other operating expenses	**109**	75
Audit fees	**70**	69
Corporate service fees	**44**	16
Deferred consideration	**(9)**	35
	214	195

The audit fee charged for the financial year ended 31 May 2024 is £64,200 (2023: £58,800)

8 TAXATION

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
UK corporation tax charge on loss for the financial year	**-**	-

Factors affecting tax charge for the financial year

The tax assessed for the financial year is the standard rate of corporation tax in the UK of 25% (2023 - 25%). The charge for the financial year can be reconciled to the loss in the statement of comprehensive income as follows:

	Year ended 31-May-24 £000	Year ended 31-May-23 £000
Loss on ordinary activities before tax	**(346)**	(94)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 25%)	**(87)**	(24)
Effects of :		
Permanent differences relating to Taxation of Securitisation Companies Regulations 2006	**87**	24
Tax charge under Taxation of Securitisation Companies Regulations 2006	**-**	-
Current tax charge for the financial year (see note above)	**-**	-

8 TAXATION (continued)

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in November 2006 which ensures that, for periods commencing on or after 1 January 2007, corporation tax for a securitisation company is calculated by reference to a statutory formula such that, broadly, the Company is taxed by reference to its net cash margin in the period, and not by reference to its accounting profits to the extent that these differ.

9 CASH AND CASH EQUIVALENTS

	31-May-24	31-May-23
	£000	£000
Cash at bank	240	265
Treasury gilt	11	10
	251	275

The Treasury gilt comprises of interest received from investments at Treasury 2.5% index-linked stock.

10 FINANCIAL ASSETS

	31-May-24	31-May-23
	£000	£000
Loans to customers at amortised cost		
Principal		
Balance at 1 June 2023	134,834	172,246
Loans fully prepaid	(27,549)	(31,485)
Loans redeemed	(4,081)	(5,927)
Balance at 31 May 2024	103,204	134,834
Amortisation of premium		
Balance at 1 June 2023	6,241	7,497
Write off of premium	(1,198)	(644)
Amortised during the financial year	(443)	(612)
Balance at 31 May 2024	4,600	6,241
Net balance at 31 May 2024	107,804	141,075
Financial assets due in one year	(4,355)	(5,128)
	103,449	135,947
Treasury 2.5% index-linked stock at fair value through profit or loss	584	568
	104,033	136,515

The Company advanced £342,950,000 loans at a premium of £29,483,647 to five housing associations. In March 2013, one of the loans with a principal of £60,000,000 was repaid and the corresponding premium reversed. The loans pay interest at a rate of 6.625% per annum and the final principal payment is due in March 2038.

On 4 April 2023, the Clarion (Broomleigh) Housing Association outstanding loan was fully repaid and on 23 June 2023, the L&Q Housing Association outstanding loan was fully repaid. In this respect, the related loan notes for all three were also fully redeemed and cancelled and no cash settlement was made. A loss on disposal of £314,260 was made on write off of the L&Q Loan.

The treasury stock is due in July 2024. The treasury 2.5% index-linked stock has been measured at fair value through profit or loss and is accounted for at fair value, with any gains or losses arising on fair value movements recognised in the statement of comprehensive income. The fair value is determined using quoted market prices.

As security on the loans, the Company has a charge over the liquidity reserve accounts held by customers and a first fixed charge over the tenanted properties.

11 OTHER RECEIVABLES

	31-May-24	31-May-23
	£000	£000
Prepayments and accrued income	1,193	1,482
	1,193	1,482

12 OTHER PAYABLES

	31-May-24	31-May-23
	£000	£000
Other creditors	**109**	65
Accrued interest	**1,059**	1,383
	1,168	1,448

13 FINANCIAL LIABILITIES

	31-May-24	31-May-23
	£000	£000
Principal		
Balance at 1 June 2023	**134,204**	171,552
Notes fully prepaid	**(26,959)**	(31,445)
Redemptions during the financial year	**(4,079)**	(5,903)
Balance at 31 May 2024	**103,166**	134,204
Amortisation of premium		
Balance at 1 June 2024	**6,535**	7,838
Release of premium following prepayment	**(1,455)**	(662)
Amortised	**(440)**	(641)
Balance at 31 May 2024	**4,640**	6,535
Net balance at 31 May 2024	**107,806**	140,739
Financial liabilities due within one year	**(4,341)**	(5,104)
Balance at 31 May 2024	**103,465**	135,635

The financial liabilities comprise fixed rate 6.625% secured loan-backed Notes (2023: 6.625%). The legal maturity of the financial liabilities is 2038 and they are listed on the London Stock Exchange.

14 DEFERRED CONSIDERATION

	31-May-24	31-May-23
	£000	£000
Deferred consideration payable	**106**	115

Deferred consideration represents the payment of excess profits under the terms of the loan purchase agreements. Deferred consideration is payable on the maturity of the financial asset. The fair value of deferred consideration is derived from the present value of future cash flows.

15 SHARE CAPITAL

	31-May-24	31-May-23
	£000	£000
Authorised, allotted, called up and fully paid		
1 - Ordinary share of £1	**-**	-
Authorised, allotted, called up and partly paid		
49,999 - Ordinary shares of £1 each. 25p partly paid	**13**	13

The fully paid shares were issued on incorporation. One share is held by Royal Exchange Trustee Nominees Limited. All other shares of the Company are held by RSL Finance (Holdings) Limited, all of whose shares are held by Royal Exchange Trustee Nominees Limited on trust under the terms of a Declaration of Trust dated 26 November 1998, subsequently updated on 23 September 2022. The Share Trustees have no beneficial interest in and derive no benefit from their holding of the shares. There are no other rights that pertain to the shares and the shareholders.

16 FINANCIAL INSTRUMENTS

The Company's financial instruments comprise loans to two residential and social landlords, treasury investments and a single tranche of secured loan-backed notes. Cash, accrued interest receivable, accrued interest payable and other items arise directly from the Company's operations.

It is and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. All transactions and financial instruments are denominated in the Company's functional currency (Pound sterling) and consequently no currency exposure arises.

Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern. The capital structure of the Company primarily comprises issued secured loan-backed notes (see note 13) that are collateralised by the loans to customers (see note 10). Other sources of capital consist of treasury gilts, issued share capital and retained earnings. As security on the loans, the Company has a charge over the liquidity reserve accounts held by customers and a first fixed charge over the tenanted properties.

Interest rate risk

The Company finances its operations through the issue of secured loan-backed notes. At the year end, all the Company's financial assets and liabilities were at a fixed rate of 6.625% (2023: 6.625%) except for the Treasury linked stock. All other expenses are reimbursed by the borrowers. As such, the Company is exposed to limited interest rate risk and therefore no sensitivity analysis is presented since it is not significant.

Credit risk

The principal credit risk to the Company is that the borrowers will not be able to meet their obligations as they fall due. The Company monitors the performance of the Borrowers against their loan covenants on every interest payment date.

The major asset of the Company is the financial assets. The recoverability of the financial assets is a key factor in the Directors' assessment of the Company's credit risk.

The Company's maximum exposure to credit risk for assets recognised on the statement of financial position, which at 31 May 2024 is:

	31-May-24	31-May-23
	£000	£000
Financial assets at amortised cost (non current)	**103,449**	135,947
Financial assets at fair value	**584**	568
Financial assets at amortised cost (current)	**5,785**	6,523
	109,818	143,038

As at the reporting date, the following was the breakdown of financial assets at amortised cost in Stage 1, 2 and 3.

	31-May-24	31-May-23
	£000	£000
Stage 1	**109,234**	142,470
Stage 2	**-**	-
Stage 3	**-**	-
Total	**109,234**	142,470

Credit risk, in relation to these assets, is risk that the borrowers of the financial assets will not be able to meet their obligations as they fall due.

At the reporting date, 100% of the loans are neither past due nor impaired. There have been no instances of borrower default during the financial year (see definition of default in note 1.10). During the financial year, the Company has not recognised ECL on any of the loans (2023: none) disclosed in note 2.

16 FINANCIAL INSTRUMENTS (continued)

Credit ratings for underlying borrowers were noted as:

Counterparty	Inception date	Credit rating at 31 May 2024
Flagship Group	2-Nov-99	**A2**
Flagship Group	20-Mar-02	**A2**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

Funding has been obtained through the issue of secured loan notes. Liquidity risk is mitigated by matching timing of payments due on borrowings with receipts from investments. In addition, liquidity risk is further managed by having in place a charge over the liquidity reserve accounts held by the borrowers.

The table below details the expected maturity of the Company's material liabilities as at the reporting date. The table has been drawn up based on the undiscounted contractual net cash outflows.

	31-May-24 Carrying amount	**31-May-24 Contractual cash flows**	31-May-23 Carrying amount	31-May-23 Contractual cash flows
	£000	**£000**	£000	£000
Financial liabilities	**107,806**	**103,166**	140,739	134,834
Interest payable on financial liabilities	**1,059**	**59,293**	1,383	83,395
Other payables and deferred consideration payable	**215**	**215**	180	65
	109,080	**162,674**	142,302	218,294

Maturity of financial assets and liabilities

The maturity profile of the Company's financial assets at 31 May 2024 was as follows:

	31-May-24	31-May-23
	£000	£000
In one year or less, or on demand	**5,785**	6,885
After one year, within five years	**22,309**	31,312
In more than five years	**81,724**	105,203
	109,818	143,400

The maturity profile of the Company's financial liabilities at 31 May 2024 was as follows:

	31-May-24	31-May-23
	£000	£000
In one year or less, or on demand	**5,509**	6,552
After one year, within five years	**22,309**	31,312
In more than five years	**81,262**	104,438
	109,080	142,302

Fair values

The following table shows the carrying values and the fair values, where different, of financial instruments on the Company's statement of financial position:

	31-May-24 Carrying amount	**31-May-24 Fair Value**	31-May-23 Carrying amount	31-May-23 Fair Value
	£000	**£000**	£000	£000
Cash at bank	**251**	**251**	275	275
Financial assets at amortised cost	**109,234**	**111,181**	142,470	146,017
Financial assets at fair value	**584**	**584**	568	568
Financial liabilities	**109,080**	**111,140**	142,302	145,335

16 FINANCIAL INSTRUMENTS (continued)

The comparison of book and fair values of all the Company's financial instruments is set out above.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market date (unobservable inputs) (Level 3).

The Treasury 2.5% index-linked stock is classified as level 1 as it is valued using quoted prices.

The fair value of the financial liabilities are based upon available market prices since they are listed on the London Stock Exchange, however, the market for them is not fully active. The financial liabilities are therefore classified as level 2.

Market prices of the financial liabilities depend on the performance of the financial assets; therefore, the fair value of the financial assets has been calculated as being in line with the fair value of the financial liabilities. The financial assets at amortised cost are classified as level 2 because its price is derived from a market that is not fully active with observable prices.

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting year during which the change has occurred. There were no transfers of financial instruments between levels during the year.

17 RELATED PARTY TRANSACTIONS

Subsidiaries of Apex Group provide director, trustee and corporate services to the Company. During the financial year fees incurred for these services were £51,421 (2023: £24,045) in the other operating expenses and the amount pre-paid for corporate service fees as at 31 May 2024 was £278 (2023: £17,273) in the other receivables and accrued fees for Directors, share trustee and accounting services fees were £26,393 (2023: £Nil) in other payables. All transactions with the Apex Group were at arm's length.

18 ULTIMATE AND IMMEDIATE PARENT UNDERTAKING

RSL Finance (Holdings) Limited, a Company incorporated in the UK and registered in England and Wales, holds all but one ordinary share of the Company.

The fully paid share capital of RSL Finance (Holdings) Limited is held by Royal Exchange Trustee Nominees Limited on trust under the terms of a declaration of Trust dated 26 November 1998, subsequently updated on 23 September 2022, with the ultimate beneficiaries being charities chosen by the trustees.

19 EVENTS SUBSEQUENT TO FINANCIAL YEAR END

There were no significant events occurring after the date of the statement of financial position up to the date of signing of the financial statements.