Maoiniú Teaghais-Tógála Éireann (Iasachtú) CGA
Home Building Finance Ireland (Lending) DAC

FINANCIAL STATEMENTS OF HOME BUILDING FINANCE IRELAND (LENDING) DAC

For the year ended 31 December 2022

Company Registration Number: 640801

Contents

Company and Other Information

Directors
Marie Collins (Chairperson)
Desmond Carville
Dara Deering
Grainne Hennessey
Andrew O'Flanagan
Timothy Ken Slattery
Claire Solon

Company Secretary
Cecilia Fourie

Registered Office
Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Bankers
Allied Irish Banks Plc
Molesworth Street
Dublin 2
D02 W260

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3

Auditor
Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

The Directors of Home Building Finance Ireland (Lending) DAC ("the Company") present their report and audited financial statements for the year ended 31 December 2022 ("the financial year").

Home Building Finance Ireland (Lending) DAC ("HBFIL") was incorporated on 4 January 2019 (company reg. 640801). HBFIL is a 100% subsidiary of Home Building Finance Ireland DAC ("HBFI") which was incorporated on 7 December 2018 (company reg. 639272) pursuant to the Home Building Finance Act 2018 ("HBFI Act 2018") which was enacted on 3 December 2018.

Principal activities

The principal activity of the Company is to provide debt funding for residential development in the State. HBFIL provides financing to builders and developers seeking to build viable residential development projects in Ireland on commercial, market equivalent terms and conditions.

Business review

During the financial year, the Company focused on achieving its key objectives by continuing to assess loan applications and advance loan amounts to existing and new developments. During the financial year, the following represent the key outcomes:

- €413m of loans approved for borrowers[1];
- €331m of funds advanced to borrowers under approved loans[2];
- €135m of capital loans repaid by borrowers;
- €4.2m Operating Profit for the year.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are detailed below. In addition, reputational risk may occur as a consequence of these risks.

Credit Risk

- The Company is exposed to the risk that a borrowing counterparty defaults on its obligations and fails to repay its debt in full, resulting in losses to the Company.

Business and Strategic Risk

- There is a risk that HBFI may not perform as expected against its mandate due to factors such as strategy formulation and execution or the impact of macroeconomic and geopolitcal events.

Operational Risk

- The Company is exposed to a broad range of operational risks arising from the people, systems and processes involved in meeting its objectives and from external events such as weather events or pandemics. Key operational risks include and are not limited to systems failures, reporting errors, data protection breaches and process errors, over reliance on key individuals, failure to follow procedures which could ultimately result in the Company failing to meet its objectives and significant reputational damage.

Liquidity, Market and Equity Risk

- The risk that HBFI will be unable to fund its assets or have insufficient funds to meet its obligations as they fall due.

Regulatory Risk

- The Company may be subject to a legal challenge under State aid rules. Such a challenge could inhibit the Company's activities pending a resolution. The Company is also exposed to the risk that it fails to meet other regulatory and legislative requirements.

Environmental, Social and Governance Risk

- The risk that HBFI does not take necessary actions to integrate ESG into its business operations and work practices.

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[1] Not all loans approved will proceed to draw down funding from HBFI for various reasons including the project not progressing or alternative funding secured

[2] Including interest and commitment fees capitalised

Financial risk management
The Company is exposed to financial risks including market risk, liquidity risk, capital risk and concentration risk in addition to credit risk in the normal course of its business. Further details on how the Company manages these risks are given in Note 11 to the financial statements.

Directors

The following are the names of the persons who, at any time during the year, were Directors of the Company:

Marie Collins (Chairperson)
Desmond Carville
Dara Deering
Grainne Hennessey
Andrew O'Flanagan
Timothy Ken Slattery
Claire Solon

Company Secretary
Cecilia Fourie

Directors' interests
The Directors had no beneficial interest in the Company during the year or at the year end. The issued share capital of the Company is owned solely by HBFI which is 100% owned by the Minister for Finance.

Adequate accounting records
The Directors ensure compliance with the Company's obligations with regards to keeping accounting records required under sections 281 to 285 of the Companies Act 2014, through the use of qualified accounting personnel and appropriate systems and procedures. The accounting records are kept at the Company's registered office at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

Results and dividends
The results for the financial year and assets, liabilities and financial position of the Company are set out in the Statement of Comprehensive Income and the Statement of Financial Position on pages 10 and 11 respectively.

The Company did not pay any dividends during the financial year to the holding company, HBFI, and does not propose to pay any dividends for this financial year.

Events after the reporting period
Refer to Note 24 of the financial statements.

Auditor

The Comptroller and Auditor General ("C&AG") is the Company's statutory auditor by virtue of section 15 (2) of the HBFI Act 2018 which permits the C&AG to be HBFIL's statutory auditor notwithstanding HBFIL is a for profit entity.

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering	**Marie Collins**
Chief Executive Officer	Chairperson
Home Building Finance Ireland (Lending) DAC	Home Building Finance Ireland (Lending) DAC

19 April 2023

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with the Companies Act 2014.

Irish 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 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council ("relevant financial reporting framework"). 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 assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and the directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

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. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering
Chief Executive Officer
Home Building Finance Ireland (Lending) DAC

Marie Collins
Chairperson
Home Building Finance Ireland (Lending) DAC

19 April 2023

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Home Building Finance Ireland (Lending) Designated Activity Company

Opinion on the financial statements

I have audited the financial statements of Home Building Finance Ireland (Lending) Designated Activity Company (the company) for the year ended 31 December 2022 as required under the provisions of the Home Building Finance Ireland Act 2018. The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements

- give a true and fair view of the assets, liabilities and financial position of the company at 31 December 2022 and of its profit for the year
- have been properly prepared in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland,* and
- have been properly prepared in accordance with the Companies Act 2014.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the company and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions related to going concern

The directors have prepared the financial statements on a going concern basis. As described in the appendix to this report, I conclude on

- the appropriateness of the use of the going concern basis of accounting by the directors, and
- whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

I have nothing to report in that regard.

Opinion on matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, I report that in my opinion

- the information given in the directors' report is consistent with the financial statements, and
- the directors' report has been prepared in accordance with the Companies Act 2014.

Report of the C&AG (continued)

I have obtained all the information and explanations that I consider necessary for the purposes of my audit.

In my opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited, and the financial statements are in agreement with the accounting records.

The Companies Act 2014 also requires me to report if, in my opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. I have nothing to report in that regard.

Report on information other than the financial statements, and on other matters

The directors have presented certain other information with the financial statements. This comprises the directors' report and the statement of director's responsibilities. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

27 April 2023

Responsibilities of the directors

As detailed in the statement of directors' responsibilities, the directors are responsible for

- the preparation of annual financial statements in the form prescribed under the Companies Act 2014
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 15 of the Home Building Finance Ireland Act 2018 to audit the financial statements of the company and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs 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.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the company to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

Statement of Comprehensive Income
For the financial year ended 31 December 2022

	Note	2022 €000	2021 €000
Interest income	5	13,428	3,349
Interest expense	6	(6,875)	(2,020)
Net interest income		6,553	1,329
Other income	7	4,761	2,538
Operating expenses	8	(7,126)	(6,776)
Operating profit/(loss) before tax		4,188	(2,909)
Tax expense	9	-	-
Profit/(Loss) for the year after tax		4,188	(2,909)
Other comprehensive income		-	-
Total comprehensive income for the year		4,188	(2,909)

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering
Chief Executive Officer
Home Building Finance Ireland (Lending) DAC

Marie Collins
Chairperson
Home Building Finance Ireland (Lending) DAC

19 April 2023

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 €000	31 December 2021 €000
Non-current assets			
Financial assets – loans and receivables	10	171,088	102,017
Other receivables	13	683	307
		171,771	102,324
Current assets			
Financial assets – loans and receivables	10	158,849	18,501
Other receivables	13	849	872
Cash and cash equivalents		14,796	11,203
		174,494	30,576
Creditors; amounts falling due within 1 year			
Other liabilities	14	(3,049)	(4,034)
Net current assets		**171,445**	**26,542**
Total assets less current liabilities		343,216	128,866
Creditors; amounts falling due after 1 year			
Funding	15	(329,713)	(125,504)
Other Liabilities	14	(3,660)	(1,707)
Net assets		**9,843**	**1,655**
Capital and reserves			
Capital contribution reserve	18	19,000	15,000
Retained losses		(9,157)	(13,345)
Total equity		**9,843**	**1,655**

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland (Lending) DAC

M. Collins

Marie Collins
Chairperson
Home Building Finance Ireland (Lending) DAC

19 April 2023

Home Building Finance Ireland (Lending) DAC

Statement of Changes in Equity
For the year ended 31 December 2022

	Capital contribution €000	Retained losses €000	Total equity €000
Balance at 1 January 2021	15,000	(10,436)	4,564
Total comprehensive income for the year	-	(2,909)	(2,909)
Balance at 31 December 2021	**15,000**	**(13,345)**	**1,655**
Total comprehensive income for the year	-	4,188	4,188
Additional capital contribution	4,000	-	4,000
Balance at 31 December 2022	**19,000**	**(9,157)**	**9,843**

The accompanying notes form an integral part of the financial statements.

Approved and authorised for issue by the Board of Directors and signed on its behalf:

Dara Deering

Dara Deering
Chief Executive Officer
Home Building Finance Ireland (Lending) DAC

M. Collins

Marie Collins
Chairperson
Home Building Finance Ireland (Lending) DAC

19 April 2023

Statement of Cash Flows
For the year ended 31 December 2022

	2022	2021
	€000	€000
Cash flows from operating activities		
Profit / (Loss) for year	4,188	(2,909)
Advances to borrowers	(330,687)	(127,430)
Repayments from borrowers	134,695	46,891
Interest receivable	(13,428)	(3,296)
Increase in other receivables	(353)	(372)
Interest payable	6,747	1,947
Increase in other liabilities	968	818
Net cash from operating activities	**(197,870)**	**(84,351)**
Cash flows from investing activities		
Contribution of capital received	4,000	-
Net cash from investing activities	**4,000**	-
Cash flows from financing activities		
Funding loans received	215,163	97,220
Funding loans repaid	(17,700)	(10,925)
Net cash from financing activities	**197,463**	**86,295**
Net increase in cash and cash equivalents	**3,593**	**1,944**
Cash and cash equivalents at 1 January	**11,203**	**9,259**
Cash and cash equivalents at 31 December	**14,796**	**11,203**

1. Reporting entity

HBFIL is a Designated Activity Company limited by shares and incorporated under the Companies Act 2014 (Registered Number 640801). HBFIL is a 100% subsidiary of HBFI. The principal activities of the Company are to provide debt funding for residential development in the State.

The registered office of HBFIL is at Treasury Dock, North Wall Quay, Dublin 1, D01 A9T8.

2. Statement of Compliance

These financial statements for the financial year ended 31 December 2022 have been prepared in accordance with the Companies Act 2014 and *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*, issued by the Financial Reporting Council in the UK ("FRS 102") having elected, as permitted by FRS 102, to account for the Company's financial instruments by applying the recognition and measurement rules of IAS 39 Financial Instruments: Recognition and Measurement.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on a number of factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management believes that the underlying assumptions used are appropriate and that the Company's financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described as below:

3.1. Key sources of estimates and judgements

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

3.1.1. Loan impairment assessment

In line with the requirements of IAS 39 as permitted by FRS 102, the Company reviews its portfolio of loans for objective evidence of impairment at the statement of financial position date. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income at the reporting date, the Company uses internal and external sources of information to assess whether there is any evidence that an asset may be impaired (in line with IAS 39.59). Evidence of impairment may include the following:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default in interest or principal payments;
- the granting of a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty that wouldn't otherwise be considered; or
- where it is probable that the borrower will enter bankruptcy or other financial reorganisation.

If any objective evidence of impairment exists, the Company performs a detailed impairment calculation on each loan individually to determine the impairment loss that should be recognised. An asset is impaired, and an impairment loss is recognised, if the loss is incurred at the reporting date as a result of one or more events that occurred after initial recognition of the asset.

3.1.2. Income recognition on loans and receivables

The accounting policy for the recognition of interest income on loans and receivables is set out in Note 4.3.

4. Significant accounting policies

4.1. Basis of preparation

The financial statements are prepared on a going concern basis and the Board of Directors of the Company ("the Board") is satisfied that the Company will continue as a going concern for the foreseeable future.

In its consideration of whether accounting on a going concern basis is appropriate, the Board has had regard to the functions of the Company as set out in the HBFI Act 2018 and believes it is reasonable to assume that, given the purpose of the legislation, the State will take appropriate steps to ensure that the Company is put in a position to discharge its mandate.

The function of the Company is to provide debt funding in a prudent manner to borrowers for the development of residential units in the State.

The Company's activities are subject to risk factors including credit, business and strategic, operational, liquidity, market and equity, regulatory and environmental, social and governance risk. The Board has reviewed these risk factors and all relevant information to assess the Company's ability to continue as a going concern. The Board and Audit and Risk Committee review key aspects of the Company's activities on an on-going basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

As permitted by the Companies Act 2014, the Directors have adapted the arrangements and headings and subheadings otherwise required by Profit and Loss Account Format 1 and Balance Sheet Statement Format 1 as the special nature of the Company's business requires such adaptation. The financial statements are presented in euro (€), which is the Company's functional and presentational currency. The figures shown in the financial statements are stated in € thousands.

4.2. Basis of measurement

The financial statements have been prepared under the historic cost convention.

4.3. Interest income and expense

Interest income and expense for all financial instruments are recognised in the Statement of Comprehensive Income using the Effective Interest Rate ("EIR") method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant financial year. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the EIR, the Company estimates cash flows considering all contractual terms of the financial instrument.

Once a financial asset has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income receivable on loans to borrowers and interest expense payable on loans from funders are presented within operating activities in the Statement of Cash Flows.

4.4 Other income

Fee income relates mainly to arrangement fees and commitment fees charged to the borrower. Fee expenditure relates to due diligence and legal fees incurred on facilities. Fee income and fee expenditure are deferred initially and then released to the Statement of Comprehensive Income over the term of the relevant facility in line with FRS 102 Section 23 Revenue.

4.5 Costs reimbursable to the NTMA

In accordance with section 9 (2) of the HBFI Act 2018, the NTMA provides business and support services and systems in addition to assigning staff to the Company. Costs reimbursable to the NTMA are recognised on an accruals basis. These expenses are recovered from the Company by the NTMA at cost. Further information on costs reimbursable to the NTMA is included in Note 8.1.

4. Significant accounting policies (continued)

4.6 Financial assets

The Company classes its financial assets in accordance with IAS 39 classifications. The Company determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, the loans are measured at fair value plus incremental direct transaction costs that are directly attributable to the issue of the loan. They are then subsequently measured at amortised cost using the EIR method as described in Note 4.3.

4.7 Financial liabilities

Funding are those readily accessible loans drawn down by the Company from the ISIF in order to support its lending activities. The Company recognises these loans in its Statement of Financial Position on the date the loan is drawn down. These loans are measured initially at fair value plus incremental direct transaction costs that are directly attributable to the issue of the financial liability. They are subsequently measured at amortised cost using the EIR method as described in Note 4.3.

4.8 De-recognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

4.9 Impairment of financial assets

The Company assesses at the end of each financial year whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

For loans and receivables, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

The loans to each borrower deemed to be individually significant are objectively assessed for evidence of impairment at the end of the financial year. A collective assessment approach, grouped on the basis of similar credit risk characteristics is adopted for all other loans without individual specific impairments.

Objective evidence that a financial asset is impaired includes:

- significant financial difficulty of the borrower;
- granting a concession to the borrower for economic or legal reasons relating to the borrower's financial difficulty which would not otherwise have been considered;
- breaches of contract, such as default or delinquency in interest or principal payments;
- signs that the borrower will enter bankruptcy or other financial reorganisation.

The Company recognises interest income following impairment using the rate of interest used to discount the future cash flows in measuring that impairment. If, in a subsequent financial year, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

Where there is no further prospect of recovering the carrying value of a loan, or a portion of a loan, the Company writes the amount that is not recoverable off against the related impairment loss (i.e. in this circumstance, there is no additional charge to the Statement of Comprehensive Income). Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in the Statement of Comprehensive Income.

4. Significant accounting policies (continued)

4.10 Cash and cash equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

The Statement of Cash Flows shows the changes in cash and cash equivalents arising during the financial year from operating activities, investing activities and financing activities. The cash flows from operating activities are reported using the indirect method, whereby major classes of gross cash receipts and gross payments are disclosed.

4.11 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect is material, provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.12 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by the occurrence of uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably estimated. Contingent liabilities are not recognised but disclosed in the notes to the financial statements unless the probability of the transfer of economic benefit is remote.

4.13 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting years using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

4.14 Capital contribution reserve

Any capital contributions are recorded by the Company as an increase in equity.

4.15 Leasing

Rentals under operating leases are charged on a straight-line basis over the term of the lease to the Statement of Comprehensive Income in line with FRS 102 Section 20 Leases.

4.16 Key management personnel

Key management personnel in the Company consist of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer. See Note 8

5. Interest income

	2022	2021
	€000	€000
Interest on loans and receivables	13,428	3,349

Interest on loans and receivables relates to interest income from loans provided to borrowers. The EIR method is applied as per note 4.3.

6. Interest expense

	2022	2021
	€000	€000
Interest on funding	6,875	2,020

Interest on funding relates to the interest charge on the ISIF funding facility. The EIR method is applied as per note 4.3.

7. Other income

	2022	2021
	€000	€000
Fee income	6,253	3,196
Fee expenditure	(1,492)	(658)
	4,761	2,538

Fee income relates mainly to arrangement fees and commitment fees charged to the borrower and recognised over the term of the relevant facility. Commitment fees are fees charged to the borrower on certain facilities based on the committed but undrawn balance of the approved facility. Fee expenditure relates to due diligence and legal fees incurred on facilities. The amounts are recognised in line with note 4.4.

8. Operating expenses

		2022	2021
	Note	€000	€000
Costs reimbursable to the NTMA	8.1	6,172	6,038
Loan administration services		500	384
Other Expenses		454	354
		7,126	6,776

Other expenses consist mainly of professional fees, including legal and financial advisory, and bank interest and charges.

8. Operating expenses (continued)

8.1 Costs reimbursable to the NTMA (see note 21)

	2022	2021
	€000	€000
NTMA staff costs	4,051	4,151
Occupancy costs	222	213
Business services	47	29
Professional fees	124	122
Technology	216	289
Other operating costs	1,512	1,234
	6,172	**6,038**

Other operating costs consists mainly of the corporate function recharges for services provided by the NTMA to HBFI including compliance, procurement, finance and information technology, and an allocation for depreciation costs in relation to NTMA capital assets used by HBFI.

8.1.1 NTMA staff costs

The Company has no employees. All personnel are employed by the NTMA and the remuneration cost of staff who are engaged full time in the Company business is recharged to the Company by the NTMA. The number of NTMA employees directly engaged in the Company at the reporting date was 31 (2021: 31).

	2022	2021
	€000	€000
Aggregate Employee Benefits		
Staff short term benefits	3,167	3,187
Pay related social insurance	355	333
	3,522	**3,520**
Staff Short-term Benefits		
Basic Pay	3,022	3,077
Performance related pay	88	55
Allowances	57	55
	3,167	**3,187**

The NTMA contributed €529,000 (2021: €447,262) in pension contributions for the year ended 31 December 2022 to those engaged full time in the Company business.

NTMA staff costs include the CEO's salary which is as detailed below.

8.1.2 Key management personnel

	2022	2021
	€000	€000
Salary	847	892
Allowances	19	24
Performance related pay	24	14
Health insurance	2	1
	892	**931**

8. Operating expenses (continued)

8.1.2 Key management personnel (continued)

Key management personnel in HBFIL consists of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer. The total value of employee benefits for key management personnel is set out above (excluding employer's contribution to social insurance costs).

This does not include the value of retirement benefits earned in the year. The key management personnel (excluding the Chief Executive Officer and the Board) are members of the NTMA pension scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

8.1.3 Chief Executive Officer salary and benefits – Dara Deering

	2022	2021
	€000	€000
Salary	250	250
Taxable benefits	19	19
Contributions to retirement schemes	45	45
	314	**314**

No performance related payment was paid or is payable to the CEO during the year. The amounts paid to the CEO are included in the costs reimbursable to the NTMA.

9. Taxation

	2022	2021
	€000	€000
Profit/loss before tax	4,188	(2,909)
Corporation tax	-	-

The tax on profits is charged at the standard rate of corporation tax in Ireland (12.5%).

	2022	2021
	€000	€000
Profit / (loss) before tax	4,188	(2,909)
Non-deductible expenses	99	93
Adjusted profit / (loss)	4,287	(2,816)
Corporation tax charge @ 12.5%	536	352
Unrecognised tax loss	-	(352)
Utilisation of tax losses carried forward	(536)	-
Tax Charge	-	-

HBFI has accumulated tax losses during its first years of trading. . The amount of tax losses at prior year end was €1.6m. The Group has elected to utilise this against the profit earned in 2022. The Company will carry forward losses worth €1.1m following the utilisation.

10. Loans and receivables

	2022	2021
Non-Current	**€000**	**€000**
Loans to borrowers	171,088	102,017
Current		
Loans to borrowers	158,849	18,501
	329,937	**120,518**

The Company had loans in issue to 37 borrowers (2021: 25) at the end of the year. The remaining term of the loans being due range from less than one year to four years.

See Statement of Cash Flows for reconciliation of loans and receivables movements during the year.

The Company assesses at the end of each financial year, whether there is objective evidence that the loans are impaired (see Note 4.9). Following the impairment assessment of the loans as at 31 December 2022, the Company concluded that no evidence of impairment existed at the reporting date.

11. Risk management

The Company aims to be risk aware and to actively manage its risks. The critical activities carried out by the organisation and the reliance on its good reputation mean that there is a strong emphasis on an appropriate range of controls.

The Company aims to manage risks in an informed and proactive manner, in accordance with its risk appetite, such that the level of risk is consistent with the underlying business activity and the Company understands and is able to manage or absorb the impact of the risk in the event that it materialises.

The principal risk categories identified and managed by the Company in its day-to-day business and which potentially have the greatest impact on the financial statements of the Company are credit risk, liquidity risk and market risk.

Risk management framework

The Board is responsible for setting the risk appetite and overseeing and guiding risk management activity across the Company. The Board has mandated that risk management be integrated and embedded into the tone and culture of the Company.

The Audit and Risk Committee is responsible for overseeing the implementation of the Company's Risk Management Framework. The Audit and Risk Committee will seek to ensure that the Company's risk management governance model provides appropriate levels of independence and challenge. The Audit and Risk Committee reports to the Board independently.

The Company's Risk Management Framework is in accordance with the principles of the Code of Practice for the Governance of State Bodies.

The Company relies on the services provided by the NTMA for certain elements of risk management, namely:

- business continuity services;
- compliance services;
- counterparty credit risk services for cash management purposes; and
- internal audit services.

11. Risk management (continued)

Risk management framework (continued)

First line of defence:
The Company's management is responsible for the day-to-day management of risk and for ensuring that adequate controls are in place and operating effectively. Management report on risk management to the Audit and Risk Committee. The following are the key steps used in the risk management process:

- Identify all risks that may affect/prevent the Company from achieving the objectives established by the Company's Board and management (taking into consideration any historical events/near misses which may have threatened the achievement of such objectives);
- For each risk, determine its initial impact and its probability of occurrence;
- For each risk, determine whether the risk can be accepted or will need to be transferred, reduced or avoided;
- For each risk, regardless of its impact or probability of occurrence, consider actions to reduce risk;
- Review residual impact/probability of occurrence and criticality status of the risk in light of the implemented actions/controls/mitigants;
- Review and monitor mitigating actions on an on-going basis.

Second line of defence:
The Company Risk function (and the NTMA Compliance function with regard to Compliance Risk) provide independent challenge and oversight to ensure implementation of the Company's Risk Management Policy and Framework.

Third line of defence:
Internal Audit is the third line of defence and provides independent, reasonable, risk-based assurance on the robustness of the Company's risk management system, governance and the design and operating effectiveness of the internal control environment.

11.1 Credit risk

Credit risk is the risk of incurring financial loss as a result of default of a counterparty to a particular transaction. In order to achieve its key objectives and fulfil its mandate, the Company must assume a certain level of credit risk. As a fundamental principle, the Company will seek to do so in a prudent manner that assumes the minimum level of credit risk required to achieve its objectives, which is in line with the Company's Risk Appetite Statement. The Company's main credit risk arises from the potential failure of a borrower to fulfil its contractual obligations to the Company.

Credit risk is the most important risk for the Company's business. The Company, therefore, carefully manages its exposure to credit risk. Credit risk is measured, assessed and controlled for all transactions entered into by the Company.

The Company endeavours to minimise its credit risk exposure by undertaking an extensive due diligence process in advance of any lending decisions. The Company's credit risk management process includes the following:

Underwriting approval

- thorough assessment of each prospective borrower and development, its management, operational capability, development experience, financial performance and repayment capacity. This assessment includes factors such as construction cost inflation and supply chain disruptions;
- on-site visits and face to face meetings with management;
- assessment of the financial performance of the prospective borrower by reference to available information, including financial accounts, management accounts and financial projections;
- analysis of the borrower's repayment capacity, including clear and reasonable demonstration of the borrower's ability to meet its obligations and discharge the Company's debt in full;
- independent risk review and sign off by the Company's Head of Credit and Risk (or appointed delegate) of each potential transaction;
- obtaining adequate security for each transaction;

11. Risk management (continued)

Credit Risk (continued)

- credit decisions reserved to the HBFIL Board, HBFIL Credit Committee or Executive Management Team Credit Committee depending on size of facility or risk characteristics of transaction;
- on-going review of credit facilities, including monitoring surveyor reviews of each development on an ongoing basis to monitor construction progress and cost against budget;
- regular review of compliance with the respective covenants and undertakings and any terms and conditions imposed by the Company.

The maximum exposure to credit risk for financial assets with credit risk at 31 December 2022 is €345m. This maximum exposure to credit risk is presented by class of financial instrument below. The credit quality of HBFI's loans and receivables are non-rated. Cash and cash equivalents are held with the Central Bank of Ireland (Standard & Poor's rating: AA-) (2021: AA-) and Allied Irish Banks Plc (Standard & Poor's rating: A-) (2021: A-).

	2022	2021
	€000	€000
Cash and cash equivalents	14,796	11,203
Loans and receivables	329,937	120,518
	344,733	**131,721**
Undrawn commitments to borrowers at 31 December	**357,000**	**255,000**

HBFI has entered into a COSME Loan Guarantee Facility with the European Investment Fund which provides a loan guarantee of up to 50% of certain eligible HBFI loan facilities. The guarantee is subject to certain terms and conditions including a maximum guarantee amount of €25m and that eligible HBFI loans must relate to developments of no more than 10 units. There is no fee payable for this guarantee. As at 31 December 2022, the balance on eligible HBFI loan facilities subject to the COSME Loan Guarantee was €1.1m.

11.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet all of its financial obligations as and when they fall due. It is the risk of loss arising from a situation where there will not be enough cash to fund day to day operations.

The Company's liquidity risk management process includes:

- Management of day-to-day funding including the monitoring of future expected cash flows, e.g. future lending commitments, to ensure that requirements can be met as they fall due.
- Asset and liability management by monitoring the maturity profile within the Company's Statement of Financial Position to ensure that sufficient cash resources are available or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.
- Managing its liquidity risk by aligning, to the greatest extent possible, the maturity profile of its assets and liabilities so eliminating refinancing risk where possible. The Company has sourced long-term funding from its funder, and where possible it structures the tenor and repayment schedule of its loans to reflect that funding maturity profile.
- Maintaining a cash liquidity buffer to address any short-term liquidity needs that may arise.

The dates of the contractual amounts that commit the Company to make repayments on loans it has borrowed are summarised in the following table. The amounts presented are undiscounted.

11. Risk management (continued)

Liquidity risk (continued)

	No later than 1 year	1-5 years	Over 5 years	Total
	€000	€000	€000	€000
2022				
Repayments due	-	-	329,713	**329,713**
2021				
Repayments due	-	-	125,504	**125,504**

11.3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. HBFI's market risk comprises interest rate risk. Market risks arise from open positions in interest rate products which are exposed to general and specific market movements, and changes in the level of volatility of interest rates.

Interest rate risk
The Company's Net Interest Income is exposed to interest rate fluctuations with its loan receivables subject to variable rates (3-month Euribor base rate) and its funding currently on a fixed rate basis. Interest rate risk is identified, monitored and managed by the Company.

The carrying amounts exposed to interest rate risk at 31 December are detailed below:

	2022	2021
Financial Assets – variable rate	**€000**	**€000**
Cash and cash equivalents	14,796	11,203
Loans and receivables	329,937	120,518
	344,733	131,721
Financial liabilities – fixed rate		
Funding	329,713	125,504

It should be noted the three tranches within the funding facility are carried at a fixed rate of interest at 31 December 2022.

Currency risk
The Company is not directly exposed to currency risk, as all of its funding and lending activities are denominated in euro.

Interest rate risk sensitivity
Information provided by the sensitivity analysis below does not necessarily represent the actual change in fair value that the Company would incur under normal market conditions because, due to practical limitations, all variables other than the specific market risk factor are held constant.

11. Risk management (continued)

11.3. Market risk (continued)

The table below shows the sensitivity of the Company to an immediate +/- 100 basis point movement in interest rates, in terms of the impact on net interest income, on a forward-looking twelve-month basis, assuming no change in balance sheet.

Interest Rate Sensitivity Analysis - a 100bp move

	+100bp	-100bp
	€000	€000
Net Interest Income	3,299	(3,299)

The net interest income sensitivity reflects the fact that all loan receivables are floating rate over 3-month Euribor and interest income is subject to movements in the underlying base rate while the interest rate on loans payable is fixed as at 31 December 2022 and any movement in market rates has no impact on interest expense

11.4 Capital management

The Company is not subject to externally imposed capital requirements. The Company is committed to ensuring it is adequately capitalised as there is a risk that inappropriate management of the Company's capital will result in it being unable to absorb any potential credit losses. The Holding Company made a non-refundable capital contribution of €15m on incorporation. An additional contribution of €4m was made in 2022.

The Board reviews the capital structure frequently to determine the appropriate level of capital to safeguard against these risks.

11.5 Concentration risk

Concentration risk is the risk that the Company is exposed to any single exposure or group of exposures that has the potential to produce losses large enough to threaten the ability of the Company to continue operating as a going concern.

The Company manages this risk by adhering to the limits set out in the Risk Appetite Statement which has been approved by the HBFIL Board and which is subject to regular review by the Board. The Risk Appetite Statement defines the maximum amounts of credit facilities to be committed to borrowers. The measures are intended to ensure that the risk profile of the overall portfolio is appropriately diversified, and not unduly exposed to excessive concentration of risk.

The Company's geographic concentration of risk assets is solely in Ireland, and the sole sectoral concentration of risk is to residential development, arising from its statutory mandate to make funding available for residential development in the State, as set out in the HBFI Act 2018.

12. Fair value of financial assets and liabilities

12.1. Comparison of carrying value to fair value

The table below summarises the carrying amounts and fair values of the financial assets and liabilities not presented on the Company's Statement of Financial Position at their fair value. None of the assets and liabilities in the Statement of Financial Position of the Company are measured at fair value.

The fair values of these financial instruments are measured according to the following fair value hierarchy:

Level 1 - financial assets and liabilities measured using quoted market prices (unadjusted).

Level 2 - financial assets and liabilities measured using valuation techniques which use observable market data.

Level 3 - financial assets and liabilities measured using valuation techniques which use unobservable market data.

2022	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial assets					
Cash and cash equivalents	14,796	14,796	-	-	14,796
Loan and receivables	329,937	-	-	329,937	329,937
Financial liabilities					
Funding	329,713	-	-	329,713	329,713
Other liabilities	1,020	-	-	1,020	1,020

2021	Carrying Value €000	Level 1 €000	Level 2 €000	Level 3 €000	Fair value €000
Financial assets					
Cash and cash equivalents	11,203	11,203	-	-	11,203
Loan and receivables	120,518	-	-	120,518	120,518
Financial liabilities					
Funding	125,504	-	-	125,504	125,504
Other liabilities	950	-	-	950	950

12. Fair value of financial assets and liabilities (continued)

12.2 Fair value measurement principles

Cash and cash equivalents

The fair value of these financial instruments is equal to their carrying value due to these instruments being repayable on demand and short-term in nature.

Loans and receivables and Funding

The fair value of these financial instruments is equal to their carrying value due to the defined nature/purpose of these facilities.

13. Other receivables

	2022 €000	2021 €000
Non-Current:		
Deferred expenditure	675	235
Other receivables	8	72
	683	**307**
Current:		
Amounts due from HBFI	282	203
Deferred expenditure	473	535
Other receivables	94	134
	849	**872**

Deferred expenditure relates to external expenses the Company incurred and paid in carrying out due diligence reviews and finalising legal agreements on facilities which are recognised over the term of the relevant facility. Other receivables consist of commitment fees receivable from borrowers.

14. Other liabilities

	2022 €000	2021 €000
Current:		
Amounts due to the NTMA (Note 21)	998	950
Trade Payables	22	-
Revenue – Payroll Taxes	8	8
Deferred income	1,758	2,902
Accrued expenses	263	174
	3,049	**4,034**
Non-current:		
Deferred income	3,660	1,707
	3,660	**1,707**

Deferred income relates to the facility arrangement fees received from the borrower. Each arrangement fee is recognised in the Statement of Comprehensive Income over the term of the relevant facility.

15. Funding

	2022 €000	2021 €000
Funding loans	329,713	125,504

The Company had loans of €330m outstanding from the ISIF as at 31 December 2022 under a 10-year revolving credit facility with a maturity date of 28 May 2029. There are no scheduled repayments under the facility prior to the maturity date. See Statement of Cash Flows for reconciliation of funding movements during the year. At the end of the period the Company had €400m in undrawn funding facilities.

16. Maturity analysis of assets and liabilities

The below table presents the breakdown of those assets and liabilities which contain a non-current element. The asset analysis is based on when management expects to receive cash for the asset. Liabilities are analysed between current and non-current depending on whether or not the Group has an unconditional right at the balance sheet date to defer settlement for at least 12 months from that date.

2022	Current €000	Non-current €000	Total €000
Financial assets			
Loans and receivables	158,849	171,088	329,937
Financial liabilities			
Funding	-	(329,713)	(329,713)

2021	Current €000	Non-current €000	Total €000
Financial assets			
Loans and receivables	18,501	102,017	120,518
Financial liabilities			
Funding	-	(125,504)	(125,504)

17. Auditor's remuneration

	2022 €000	2021 €000
Audit of financial statements	34	33

There are no non-audit services included above.

18. Equity

HBFIL is a 100% subsidiary of HBFI by means of 1 ordinary share (€1 nominal value) issued. The authorised share capital consists of 200,000,000 ordinary shares of €1.00.

HBFI made an irrevocable, unconditional capital contribution of €15m to HBFIL on 1 February 2019. The contribution is non-refundable and gives no rights to shares in the capital or assets of the Company. An additional contribution of €4m was made in 2022 on the same terms.

The ultimate beneficial ownership of the Company is held by the Minister for Finance by means of 20,000,000 nominal shares of €1.00 each in the holding Company, HBFI.

19. Commitments

In January 2019 HBFI entered into an agreement for office accommodation at 1 Treasury Dock, North Wall Quay, Dublin 1. The lease term runs from 1 January 2019 to 24 May 2033. HBFI may break the lease term only on foot of a Ministerial Direction that HBFI cease operations and subject to providing a minimum twelve-month notice period to the lessor to exercise this break. Lease expenditure of €0.16m was incurred in 2022 (2021: €0.16m). The nominal future minimum rentals payable to 24 May 2033 are as follows:

	2022	2021
	€000	€000
Within one year	159	159
In two to five years	636	636
Over five years	857	1,016
	1,652	**1,811**

20. Contingent liabilities

The Company had no contingent liabilities at the reporting date which would require disclosure in the financial statements.

21. Related parties disclosures

21.1. Related parties

Home Building Finance Ireland DAC
HBFIL is a 100% subsidiary of HBFI.

Minister for Finance
The issued share capital of the parent company HBFI is owned solely by the Minister for Finance.

NTMA
The NTMA provides staff and business support services to HBFIL. The costs incurred by the NTMA are charged to the Company, in accordance with the terms of the Service Level Agreement between HBFI and the NTMA.

Other Government controlled entities
The Ireland Strategic Investment Fund and Allied Irish Banks Plc. are related parties of the Company in accordance with FRS 102 Section 33 as each are under the control of the Minister for Finance.

Key management personnel
Key management personnel in HBFI consists of the members of the Board, the Chief Executive Officer and the senior management team reporting directly to the Chief Executive Officer.

21.2. Transactions and balances with related parties

The following are the transactions that took place during the financial year with related parties:

NTMA recharge
The NTMA incurs costs for the running of the Group, which it recharges to the Group. The total of these costs for the financial period was €6.2m (2021: €6m). Further details in respect of these costs are disclosed in Note 8. There is an amount of €1m (2021: €0.95m) payable to the NTMA at the end of the financial period. In addition, the NTMA is the landlord for the lease payments set out in Note 19.

21. Related parties disclosures (continued)

21.2. Transactions and balances with related parties (continued)

ISIF Loan Facility
The ISIF provided a loan facility of €730 million to the Company, under direction from the Minister for Finance. The ISIF loan operates as a revolving loan facility with a facility maturity date of 28 May 2029. Drawdowns, repayments, and interest transactions in relation to the facility are set out in the Statement of Cash Flows and disclosures above.

Allied Irish Banks Plc
At the end of the financial year, the Company held €14.8m of cash at Allied Irish Banks Plc (2021: €11.1m).

Key management personnel
Transactions with key management personnel are disclosed in Note 8.

22. Disclosures of interest
There are disclosure of interest requirements on Directors under the Companies Act 2014, the Company's Articles of Association and the Code of Practice for the Governance of State Bodies. HBFIL has put in place procedures to assist Directors in meeting their disclosure of interest obligations during the year under review.

23. Comparative Information
Certain comparative information has been reclassified for consistency with the current year disclosures.

24. Events after the end of the reporting period
No events requiring adjusting or disclosure in the financial statements occurred after the end of the reporting period.

25. Approval of the financial statements
The financial statements were approved by the Directors on 19 April 2023.