

RETAIL
CHARITY
BONDS

Retail Charity Bonds plc
Financial Statements
for the year ended 31 August 2017

Registered number: 8940313

Retail Charity Bonds plc

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for the year ended 31 August 2017**

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**Retail Charity Bonds plc
Reference and Administrative Details
for the year ended 31 August 2017**

DIRECTORS:	John Tattersall (Chairman) Gordon D'Silva Thomas Hackett (Chairman, Review Committee) Timothy Jones Geetha Rabindrakumar Sandra Skeete (appointed 1 April 2017) Clare Thompson Philip Wright (Chairman, Audit Committee)
SECRETARY:	Cargil Management Services Limited 22 Melton Street London NW1 2BW
REGISTERED OFFICE:	27/28 Eastcastle Street London W1W 8DH
COMPANY NUMBER:	8940313
AUDITOR:	RSM UK Audit LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes Buckinghamshire MK9 1BP
PRINCIPAL BANKERS:	National Westminster Bank plc 135 Bishopsgate London EC2M 3UR
SOLICITORS	Linklaters LLP One Silk Street London EC2Y 8HQ

**Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2017**

Summary and highlights

Results

The Directors present their Annual Report and audited financial statements for the year to 31 August 2017.

The results of Retail Charity Bonds plc (the "Company") are set out on page 11. The articles of the Company do not permit the payment of a dividend.

Chairman's statement

The Directors of Retail Charity Bonds plc are pleased to have approved the issue of two further bonds in this year for Greensleeves Homes Trust and The Dolphin Square Charitable Foundation. Each member of the Board continues to give his or her time pro bono in order to support this important initiative and provide charities with access to the retail bond market, and we are grateful to all of them for their contribution.

Business model and strategy

The Company is a special purpose vehicle created by Allia Limited, a national charity and social finance specialist. The Company has been established for the purpose of issuing bonds as originated by Allia and lending the proceeds to UK charities to enable them to deliver their charitable mission. It will not engage in any other business activity and does not have any employees.

In order to perform such activities the Company has appointed Allia Impact Finance Limited ("Allia IFL") as Servicer. The duties that the Servicer has agreed to perform include, among others: the origination of suitable charity borrowers; loan servicing; cash management; and corporate administration services.

The Company does not have key performance indicators because it is responsible only for the issue and servicing of the bonds and related loans originated by Allia IFL.

Business Review

The performance of the Company this year has been in line with expectations. It issued 2 bonds and its balance sheet shows loans advanced equal to bonds issued, with the only other items representing cash and liabilities to suppliers in respect of operating costs not yet paid. We look forward to working with further charities in the coming year.

On 30 March 2017 the Company issued £50,000,000 4.250% bonds due 2026 (including retained bonds), secured on a loan to Greensleeves Homes Trust ("GHT"). The total principal amount of retained bonds was £17,000,000 and the cost of issuing the bond was £273,000 leaving a net balance of £32,727,000, which was advanced to GHT under the terms of a loan agreement with the Company.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.3632%. GHT is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

On 6 July 2017 the Company issued £45,000,000 4.250% bonds due 2026 (including retained bonds), secured on a loan to The Dolphin Square Charitable Foundation

Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2017

("DSCF"). The total principal amount of retained bonds was £20,000,000 and the cost of issuing the bond was £244,000 leaving a net balance of £24,756,000, which was advanced to DSCF under the terms of a loan agreement with the Company.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.3836%. DSCF is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk and credit risk.

Interest rate risk

As at 31 August 2017 100% of the Company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the Company.

Liquidity risk

The Company actively lends the full amount of the loans it itself borrowed, thus it has assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk

The Company is reliant on the interest paid on its loans to fund the interest owing to bondholders. The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds (the "Charged Assets") are charged as security for the benefit of the investors in each of the bonds.

As each bond prospectus stipulates that the obligations of the Company to pay amounts due on the bond are limited to the Charged Assets, the bondholders do not have recourse to any general assets of the Company and the risk of default by the borrowers is fully borne by the investors in the bonds.

Operational risks

Since the Company has no employees, it relies entirely on Allia IFL to provide management and administrative services. Any disruptions in the servicing arrangements could have an adverse effect on the Company. Having considered the complexity and volume of the transactions and the capability of Allia IFL, this risk is judged to be low.

Future outlook

The Directors are satisfied with the results in the year and expect future performance to continue on the same basis.

The Company expects to issue further bonds in the next twelve months, with 2 issues already made:

- On 31 October 2017 the Company issued £38,000,000 4.00% bonds due 2027 (including retained bonds), secured on a loan to Hightown Housing Association. The total principal amount of retained bonds was £6,500,000.

**Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2017**

- On 23 November 2017 the Company issued £18,000,000 3.90% bonds due 2027 (including retained bonds), secured on a loan to Golden Lane Housing. The total principal amount of retained bonds was £8,000,000.

Corporate governance statement

Internal control

The Board has established two committees:

1. The Review Committee is responsible for reviewing all loans to be made by the Company, recommending them to the Board for approval, considering the risk disclosures that will be required in relation to the charity and for recommending to the Board for approval any bond issues and the particular disclosures to be made in the relevant prospectus.
2. The Audit Committee is responsible for the Company's relationship with its external auditors, including advising the board on selection and remuneration, and for reviewing the operation of its internal controls as carried out on its behalf by Allia Impact Finance Limited ("Allia IFL").

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations. To do so, it relies on the following procedures carried out by Allia IFL on its behalf:

- All relevant details for each bond issue, such as amounts, contact details, timings are documented and confirmed within Allia IFL and by the relevant charity. At the same time a schedule of all transactions relating to the life of the bond is prepared and agreed by all parties.
- Separate bank accounts are maintained for each bond and also to separate general transactions from retained profits. All accounts are operated online with the usual bank security provisions, with dual authorisation required for any payment.
- Every bank account is reconciled monthly.
- Payments of bond interest are made through a professional paying agent.
- All accounting entries are recorded Sage 200, which is provided with a full support package and which is backed up regularly. Appropriate anti-virus software is installed and updated as required.

By order of the board



John Tattersall
Chairman
5 December 2017

Retail Charity Bonds plc
Directors' Report
for the year ended 31 August 2017

Incorporation

The Company was incorporated in England and Wales on 14 March 2014. Its ultimate parent undertaking is RC Bond Holdings Limited.

Principal activities

The principal activity of the Company is to act as a special purpose vehicle for the purpose of issuing bonds and lending the proceeds to UK charities. It will not engage in any other business activity.

The Directors of the Company who have served during the year and to the date of the financial statements are:

John Tattersall (Chairman)
Gordon D'Silva
Thomas Hackett
Timothy Jones
Geetha Rabindrakumar
Sandra Skeete
Clare Thompson
Philip Wright

Independent auditor

RSM UK Audit LLP has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

Directors' remuneration

None of the Directors received any remuneration from the Company.

Directors' insurance

The Company has purchased insurance against Directors' liability for the benefit of the Directors of the Company.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis, unless it is inappropriate to presume that the company will continue in operation.

**Retail Charity Bonds plc
Directors' Report
for the year ended 31 August 2017**

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Retail Charity Bonds plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418, each Director in office at the date of the Directors' Report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

A handwritten signature in black ink, appearing to read 'John Tattersall', with a long horizontal flourish extending to the right.

John Tattersall
Chairman
5 December 2017

Independent Auditor's Report to the members of Retail Charity Bonds plc

Opinion on financial statements

We have audited the financial statements of Retail Charity Bonds plc for the year ended 31 August 2017 which comprise 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 United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Independent Auditor's Report to the members of Retail Charity Bonds plc

Accounting for bond issues

The company issues bonds and lends the proceeds to UK charities. During the year there were two bonds issued. Each bond is assessed and categorised as either a "basic" or "non-basic" financial instrument under FRS 102. There is a risk that a bond issue is incorrectly categorised and therefore not included in the financial statements on an appropriate basis.

All bonds issued by the company to date have been classified as "basic" financial instruments and accounted for at amortised cost using the effective interest rate method. We note that the financial statements include details of bonds issued in the year, including the treatment of bond issue costs.

Our response to the risk included a review of the documentation in relation to the bonds issued in the year and the corresponding loans and audit of the effective interest rate calculations and corroboration of inputs to supporting documentation.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £585,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £1,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that we obtained sufficient and appropriate audit evidence in respect of:

- The significant business operations of the Company;
- Other operations which, irrespective of size, are perceived as carrying a significant level of audit risk whether through susceptibility to fraud, or for other reasons; and
- The appropriateness of the going concern assumption used in the preparation of the financial statements.

The audit was scoped to support our audit opinion on the financial statements of Retail Charity Bonds plc and was based on materiality and an assessment of risk.

Other information

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

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.

Independent Auditor's Report to the members of Retail Charity Bonds plc

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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 financial statements and the part of the directors' remuneration report to be audited 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 7 and 8, 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

**Independent Auditor's Report to the members of
Retail Charity Bonds plc**

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit, we will consider the susceptibility of the company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 19 May 2014 to audit the financial statements for the period ending 31 August 2015 and subsequent financial periods.

The period of total uninterrupted engagement is 3 years, covering the years ending 31 August 2015 to 31 August 2017.

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 audit committee.

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.



Graham Ricketts (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

7 December 2017

Retail Charity Bonds plc
Statement of Comprehensive Income
for the year ended 31 August 2017

		Year ended 31 August 2017	Year ended 31 August 2016
	Notes	£'000	£'000
Turnover	2	81	37
Interest receivable and similar income	4	3,545	2,045
Interest payable and similar charges	6	(3,545)	(2,045)
Other income		-	22
Administrative expenditure		(76)	(59)
		<hr/>	<hr/>
Profit before taxation		5	-
Tax	7	(1)	-
		<hr/>	<hr/>
Profit and total comprehensive income for the year		<u>4</u>	<u>-</u>

The notes on pages 17 to 25 form part of these financial statements.

(Registered number: 8940313)
Retail Charity Bonds plc
Statement of Financial Position
as at 31 August 2017

	Notes	As at 31 August 2017 £'000	As at 31 August 2016 £'000
Current assets			
Debtors: amounts due after more than one year	8	114,991	57,435
Debtors: amounts due after less than one year	9	1,636	832
Cash at bank and in hand		80	111
		116,707	58,378
Creditors			
Amounts falling due within one year	10	(1,660)	(891)
		115,047	57,487
Net current assets			
Creditors			
Amounts falling due after one year	11	(114,991)	(57,435)
		56	52
Net assets			
Capital and reserves			
Share capital	12	50	50
Profit and loss account		6	2
		56	52
Shareholder's funds			

The financial statements were approved by the Directors on 5 December 2017 and were signed on their behalf by:



.....
JOHN TATTERSALL - CHAIRMAN

The notes on pages 17 to 25 form part of these financial statements.

Retail Charity Bonds plc
Statement of Changes in Equity
For the year ended 31 August 2017

	Share capital	Profit and loss account	TOTAL
	£'000	£'000	£'000
Balance at 1 September 2016	50	2	52
Profit for the year	-	-	-
Balance at 31 August 2016	50	2	52
Profit for the year	-	4	4
Balance at 31 August 2017	50	6	56

The notes on pages 17 to 25 form part of these financial statements.

Retail Charity Bonds plc
Statement of Cash Flows
for the year ended 31 August 2017

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Reconciliation of profit to net cash inflow		
Profit after tax	4	-
Receipt of bond proceeds	57,483	19,724
Loans advanced	(57,483)	(19,724)
Interest received	2,669	1,669
Interest paid	(2,669)	(1,669)
Decrease / (increase in debtors)	2	(13)
(Decrease) / increase in creditors	(33)	122
Net cash (outflow) / inflow from operations	(31)	109
 CASHFLOW FOR THE YEAR		
(Decrease) / increase in cash	(31)	109
Cash brought forward	111	2
Net cash resources at period end	80	111

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2017

1. GENERAL INFORMATION

Retail Charity Bonds plc ("the Company") is a public limited company domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is shown on page 3.

The Company's principal activities are disclosed in the Director's Report.

ACCOUNTING POLICIES

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

A summary of the more important accounting policies, which have been consistently applied, are set out below:

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with FRS 102 and the historical cost convention.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement. The Company considers that all of its financial instruments are "Basic Financial Instruments" and has elected to apply the provisions of Section 11 accordingly.

Basic financial assets, which include amounts owed from related parties and other debtors, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest rate method.

Bonds and loans are held at amortised cost using the effective interest rate method. The discount and issue costs of each bond are amortised over the life of the bond to which they relate.

Basic financial liabilities, including trade and other creditors and accrued expenses are initially recognised at transaction price and subsequently carried at amortised cost, using the effective interest rate method.

Bond issuing costs

Costs in respect of the issue of new bonds are deducted from proceeds and amortised to the profit and loss account over the expected life of the bond.

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2017

1. GENERAL INFORMATION
(continued)

Going concern

At the date of approval of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In the opinion of the Directors, the Company is expected to be able to continue trading within its current arrangements and consequently the financial statements are presented on a going concern basis.

In their review, the Directors considered the support provided by Allia Impact Finance Limited. Without this support the Company might not be able to meet its liabilities as they fall due. However, the Directors are satisfied that this support will continue and be sufficient.

Turnover

The turnover shown in the profit and loss account represents fees for the arrangement of bond issues and for the servicing of existing bonds and is recognised by the Company in line with the provision of services, exclusive of Value Added Tax.

Interest receivable

Interest receivable represents the amounts receivable as compound interest on the loan advances made and is calculated using the effective interest rate basis.

Interest payable

Interest payable represents the amounts payable as compound interest on the bonds issued and is calculated using the effective interest rate basis.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The key estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the carrying value of loans receivable.

The directors are satisfied that, because each bond prospectus stipulates that the obligations of the Company to pay amounts due on the Bond are limited to the Charged Assets, the risk of default by the borrowers is fully borne by the investors in the bonds.

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2017

1. GENERAL INFORMATION
(continued)

Critical area of judgement

The critical area of judgement for the directors that has the most significant effect on the amounts recognised in the financial statements relates to the ability of Allia Impact Finance Limited to fulfil the agreement to provide services to support the Company and to make good any shortfall in the Company's results, while it establishes its business.

2. TURNOVER

Turnover was all derived from trading in the UK.

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Fees for the arrangement of bond issues	81	37

3. STAFF COSTS

The Company employs no staff. All services are provided to the Company by Allia Impact Finance Limited. None of the directors received remuneration for their services.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Interest receivable on loans	3,545	2,045

5. PROFIT AND LOSS ACCOUNT

The profit for the year is stated after charging:

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Fees payable to RSM UK Audit LLP and its associates:		
Audit remuneration	18	18
Non-audit remuneration	2	-

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2017

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Interest payable to bond holders	3,545	2,045

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in the year	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Current tax	1	-
Tax on profit on ordinary activities	1	-

The tax assessed for the year is equal to the standard rate of corporation tax in the UK at 19% from 1 April 2017 and 20% before.

	Year ended 31 August 2017 £'000	Year ended 31 August 2016 £'000
Profit for the year before taxation	6	-
UK corporation tax at 19%/20%	1	-
Current tax charge for the year	1	-

8. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	At 31 August 2017 £'000	At 31 August 2016 £'000
Loans to charities	114,991	57,435

The loans are unsecured (see note 11 for further details). The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds are charged as security for the benefit of the investors in each of the bonds.

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2017

9. DEBTORS: AMOUNTS DUE AFTER LESS THAN ONE YEAR

	At 31 August 2017 £'000	At 31 August 2016 £'000
Other debtors	15	13
Amounts owing from related companies	50	50
Accrued interest on loans	1,571	769
	<u>1,636</u>	<u>832</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 August 2017 £'000	At 31 August 2016 £'000
Trade creditors	3	83
Other creditors	40	3
Deferred income	22	11
Accrued interest on bonds	1,571	769
Other accruals	24	25
	<u>1,660</u>	<u>891</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 31 August 2017 £'000	At 31 August 2016 £'000
Bonds issued to fund loans made	<u>114,991</u>	<u>57,435</u>

On 30 March 2017 the Company issued £50,000,000 4.250% bonds due 2026 (including retained bonds), secured on a loan to Greensleeves Homes Trust ("GHT"). The total principal amount of retained bonds was £17,000,000 and the cost of issuing the bond was £273,000 leaving a net balance of £32,727,000, which was advanced to GHT under the terms of a loan agreement with the Company.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.3632%. GHT is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

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11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
(continued)

On 6 July 2017 the Company issued £45,000,000 4.250% bonds due 2026 (including retained bonds), secured on a loan to The Dolphin Square Charitable Foundation ("DSCF"). The total principal amount of the retained bonds was £20,000,000 and the cost of issuing the bond was £244,000 leaving a net balance of £24,756,000, which was advanced to DSCF under the terms of a loan agreement with the Company.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.3836%. DSCF is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

Bond issue costs are amortised over the terms of the bonds using the effective interest rate method. For each bond amount, the borrowers are liable to the Company for both the bond coupon and the bond issue costs, under an agreement between the companies.

The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds (the "Charged Assets") are charged as security for the benefit of the investors in each of the bonds. This means that if the borrowers fail to make payments of interest or repayments of principal under the loan agreement and this results in the occurrence of an event of default under the terms and conditions of the bonds, the Trustee (acting on the instructions of the bondholders) may enforce the terms of the loan against the borrowers.

Each bond prospectus stipulates that the obligations of the Company to pay amounts due on the bond are limited to the Charged Assets. Therefore, the risk of default by the borrowers is fully borne by the investors in the bonds.

Loan amounts and repayment details are as follows:

<i>Bond to fund loan to:</i>	Issue date	Maturity date	Loan amount £'000	Interest rate	Net received £'000	Effective interest rate
Golden Lane Housing	29/7/14	29/7/21	11,000	4.375%	10,871	4.575%
Hightown Housing Association	30/4/15	30/4/25	27,000	4.40%	26,773	4.506%
Charities Aid Foundation	12/4/16	12/4/26	20,000	5.00%	19,724	5.180%
Greensleeves Homes Trust	30/3/17	30/3/26	33,000	4.25%	32,727	4.363%
Dolphin Square Charitable Foundation	6/7/17	6/7/26	25,000	4.25%	24,756	4.384%

The borrowings are due as follows:

	At 31 August 2017 £'000	At 31 August 2016 £'000
Due in less than five years	10,923	10,905
Due in more than five years	104,068	46,530
	<u>114,991</u>	<u>57,435</u>

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12. SHARE CAPITAL

	At 31 August 2017 £'000	At 31 August 2016 £'000
Authorised issued shares of £1 each	50	50
Allotted, called up, but not paid	13	13

No shares were issued during the year.

12,500 of the issued £1 shares are allotted, called up, but not paid. The remaining 37,500 £1 shares are allotted, but not called up or paid.

In addition, there is one issued ordinary share, which is designated as a "Special Share". In respect of any resolution proposed in relation to any alteration in the articles of association of the Company, the holder of the Special Share is entitled to cast such number of votes as is necessary to defeat the resolution and, in the event that the holder of the Special Share has not voted in respect of any such resolution, such resolution will be deemed not to have been passed. The holder of the Special Share shall not be entitled to vote in relation to any matter other than a proposed alteration in the articles of association of the Company.

13. RELATED PARTIES

John Tattersall is a Director of the Company; he owns £7,600 (2016: £7,600) of the bonds in relation to Golden Lane Housing Limited issued by the Company and £10,000 (2016: £10,000) of the bonds in relation to Hightown Housing Association Limited issued by the Company and £8,100 (2016: £nil) of the bonds in relation to Greensleeves Homes Trust issued by the Company and £8,300 (2016: £nil) of the bonds in relation to Dolphin Square Charitable Foundation issued by the Company.

Geetha Rabindrakumar is a Director of the Company; she owns £500 (2016: £500) of the bonds in relation to Golden Lane Housing Limited issued by the Company.

Philip Wright, a Director of the Company, is also a director of Allia Limited. Timothy Jones, a Director of the Company, is also Secretary, Deputy Chairman and Chief Executive of Allia Limited and a director of Allia Impact Finance Limited. During the year ended 31 August 2017 Allia Impact Finance Limited charged the Company £34,000 (2016: £(23,000)); Allia Impact Finance Limited is a wholly owned subsidiary of Allia Limited. At 31 August 2017 the Company owed £39,000 to Allia Impact Finance Limited (2016: £3,000).

In addition, Allia Limited holds the £1 Special Share described in note 12.

During this year and the prior period, the Company employed no staff and had no key management other than the directors. All services are provided to the Company by Allia Impact Finance Limited. None of the directors received remuneration for their services (2016: £nil).

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14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is RC Bond Holdings Limited, which is a company limited by guarantee (registered company number 8936422).

The largest group in which the results of the Company are consolidated is that headed by RC Bond Holdings Limited. No other consolidated financial statements include the results of the Company.

A copy of the consolidated financial statements can be obtained from RC Bond Holdings Limited, Future Business Centre, Kings Hedges Road, Cambridge, CB4 2HY, United Kingdom.

15. POST BALANCE SHEET EVENTS

On 31 October 2017 the Company issued £38,000,000 4.00% bonds due 2027 (including retained bonds), secured on a loan to Hightown Housing Association. The total principal amount of retained bonds was £6,500,000.

On 23 November 2017 the Company issued 2017 £18,000,000 3.90% bonds due 2027 (including retained bonds), secured on a loan to Golden Lane Housing. The total principal amount of retained bonds was £8,000,000.

16. FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments, all of which are measured at amortised cost, were as follows:

	At 31 August 2017 £'000	At 31 August 2016 £'000
<i>Financial assets:</i>		
Debtors	65	63
Accrued interest	1,571	769
Loans receivable	114,991	57,435
	<u>116,627</u>	<u>58,267</u>
<i>Financial liabilities:</i>		
Creditors	(43)	(86)
Accruals	(24)	(25)
Accrued interest	(1,571)	(769)
Bonds issued	(114,991)	(57,435)
	<u>(116,629)</u>	<u>(58,315)</u>

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16. FINANCIAL INSTRUMENTS
(continued)

The total interest income / (expense) for each of these, using the effective interest rate method, is as follows:

	At 31 August 2017 £'000	At 31 August 2016 £'000
<i>Financial assets</i>		
Debtors	-	-
Accrued interest	-	-
Loans made	3,545	2,045
	<u>3,545</u>	<u>2,045</u>
<i>Financial liabilities</i>		
Creditors	-	-
Accruals	-	-
Accrued interest	-	-
Bonds issued	(3,545)	(2,045)
	<u>(3,545)</u>	<u>(2,045)</u>