



**The Dolphin Square Charitable Foundation
4.25 per cent. Bonds due 6 July 2026 (including
Retained Bonds)**

Issued by Retail Charity Bonds PLC

secured on a loan to The Dolphin Square Charitable Foundation

MANAGER



Peel Hunt LLP

SERVICER



Allia Impact Finance Ltd.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS. YOU SHOULD HAVE REGARD TO THE FACTORS DESCRIBED IN SECTION 2 (“*RISK FACTORS*”) OF THIS PROSPECTUS. YOU SHOULD ALSO READ CAREFULLY SECTION 11 (“*IMPORTANT LEGAL INFORMATION*”).

IMPORTANT NOTICES

About this document

This document (the “**Prospectus**”) has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) and relates to the offer by Retail Charity Bonds PLC (the “**Issuer**”) of its sterling denominated 4.25 per cent. Bonds due 6 July 2026 (the “**Bonds**”) at 100 per cent. of their nominal amount. Certain of the Bonds will immediately be purchased by the Issuer on the Issue Date (the “**Retained Bonds**”). The aggregate nominal amount of Retained Bonds will be specified in the Issue Size Announcement (as defined below).

The proceeds of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) described in this Prospectus will be loaned to The Dolphin Square Charitable Foundation (the “**Charity**”) by way of a Loan (as defined below) on the terms of a loan agreement (the “**Loan Agreement**”) to be entered into between the Issuer and the Charity on 6 July 2017 (the “**Issue Date**”).

Payments of interest and principal due on the Loan and those due on the Bonds will be identical (save that payments of interest and principal under the Loan will be paid two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds and subject to any withholding taxes either on amounts paid under the Loan or under the Bonds), so that payments of interest and repayment of the Loan by the Charity will provide the Issuer with funds to make the corresponding payment on the Bonds.

The Bonds are transferable debt instruments and are to be issued by the Issuer on the Issue Date. The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100. The aggregate nominal amount of the Bonds to be issued (including details of the aggregate nominal amount of the Retained Bonds) will be specified in the issue size announcement published by the Issuer on a Regulatory Information Service (the “**Issue Size Announcement**”).

This Prospectus contains important information about the Issuer, the Charity, the terms of the Bonds and details of how to apply for the Bonds. This Prospectus also describes the risks relevant to the Issuer and the Charity and their respective businesses and risks relating to an investment in the Bonds generally. You should read and understand fully the contents of this Prospectus before making any investment decisions relating to the Bonds.

Responsibility for the information contained in this Prospectus

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

The Charity accepts responsibility for the information in this Prospectus contained in Section 1 (“*Summary*”) (in so far as the information relates to the Charity only), Section 2 (“*Risk Factors - Factors that may affect the Charity’s ability to fulfil its obligations under the Loan Agreement*”), Section 3 (“*Description of the Charity*”) and Section 4 (“*Information about the Bonds*”) (in so far as the information relates to the Charity only), the information relating to it under the headings “*Use of Proceeds*”, “*Material or Significant Change*”, “*Litigation*” and “*Auditors*” in Section 10 (“*Additional Information*”) and Appendix E (“*Charity’s consolidated financial statements for the years ended 31 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016*”). To the best of the knowledge of the Charity (having taken all reasonable care to ensure that such is the case) the information contained in these sections is in accordance with the facts and does not omit anything

likely to affect the import of such information. Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Charity is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Use of defined terms in this Prospectus

Certain terms or phrases in this Prospectus are defined in double quotation marks and subsequent references to that term are designated with initial capital letters. The locations in this Prospectus where these terms are defined are set out in Appendix A (“*Defined Terms Index*”) of this Prospectus.

In this Prospectus, references to the “**Issuer**” are to Retail Charity Bonds PLC, which is the issuer of the Bonds, and references to the “**Charity**” are to The Dolphin Square Charitable Foundation, the borrower under the Loan Agreement. See Sections 3 (“*Description of the Charity*”) and 7 (“*Description of Retail Charity Bonds PLC*”).

The Bonds are not protected by the Financial Services Compensation Scheme

The Bonds are not protected by the Financial Services Compensation Scheme (the “**FSCS**”). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Charity or the Issuer goes out of business or becomes insolvent or otherwise fails to pay amounts when due on the Loan or the Bonds (as the case may be), you may lose all or part of your investment in the Bonds.

How to apply

Applications to purchase Bonds cannot be made directly to the Issuer. Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.

After the closing time and date of the offer period (i.e. 12.00 noon (London time) on 30 June 2017) no Bonds will be offered for sale (a) by or on behalf of the Issuer or (b) by any authorised offeror, except with the permission of the Issuer.

See Section 5 (“*How to Apply for the Bonds*”) for more information.

Queries relating to this Prospectus and the Bonds

If you have any questions regarding the content of this Prospectus and/or the Bonds or the actions you should take, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
1. Summary	5
2. Risk Factors.....	24
3. Description of the Charity	38
4. Information about the Bonds	52
5. How to apply for the Bonds.....	64
6. Taxation	68
7. Description of Retail Charity Bonds PLC	72
8. Description of the Servicer	76
9. Subscription and Sale.....	80
10. Additional Information.....	83
11. Important Legal Information	87
<i>Appendix</i>	<i>Page</i>
A. Defined Terms Index	97
B. Terms and Conditions of the Bonds.....	100
C. Form of the Bonds	120
D. Loan Agreement	122
E. Charity's Consolidated Financial Statements for the years ended 31 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016.....	146
F. Issuer's Financial Statements for the period ended 31 August 2015 and the year ended 31 August 2016	234

1

SUMMARY

The following section summarises certain information contained in this Prospectus, including information with respect to the Issuer, the Charity and the Bonds. The nature and order of the information contained in the Summary is prescribed by the Prospectus Directive and associated legislation.

SUMMARY

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A–E (A.1–E.7). This Summary contains all the Elements required to be included in a summary for the Bonds (as defined below) and the Issuer (as defined below). Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary explaining why it is not applicable.

Section A – Introduction and warnings

Element		Title
A.1	Warning	<p>This summary must be read as an introduction to this document (“Prospectus”). Any decision to invest in the Bonds should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Bonds.</p>
A.2	Consent, Offer Period, Conditions to Consent and Notice	<p><i>Consent.</i> Subject to the conditions set out below, the Issuer and, as applicable, the Charity (as defined below) consent to the use of the Prospectus in connection with a public offer of Bonds in the United Kingdom (“Public Offer”) by each Authorised Offeror. The “Authorised Offerors” are: (i) Peel Hunt LLP (the “Manager”); (ii) AJ Bell Securities Limited, Barclays Bank PLC, Equiniti Financial Services Limited, Hargreaves Lansdown or Redmayne-Bentley LLP; (iii) any other financial intermediary appointed after the date of this Prospectus and whose name is published on the Issuer’s website (http://www.retailcharitybonds.co.uk/bonds/dolphin) and identified as an Authorised Offeror in respect of the Public Offer; and (iv) any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing Directive 2004/39/EC (the “Markets in Financial Instruments Directive”) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>“We, [insert legal name of financial intermediary], refer to the 4.25 per cent. Bonds due 6 July 2026 (the “Bonds”) described in the Prospectus dated 20 June 2017 (the “Prospectus”) published by Retail Charity Bonds PLC (the “Issuer”). In consideration of the Issuer and The Dolphin Square</i></p>

		<p><i>Charitable Foundation (the “Charity”) offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017 and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer and the Charity in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly.”</i></p> <p><i>Offer Period:</i> The Issuer’s and, as applicable, the Charity’s consent referred to above is given for Public Offers of Bonds during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017 (the “Offer Period”).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer’s and the Charity’s consent (in addition to the conditions described above) are that such consent (a) is only valid in respect of the Bonds; (b) is only valid during the Offer Period; and (c) only extends to the use of the Prospectus to make a Public Offer of the Bonds in the United Kingdom.</p> <p>If you intend to acquire or do acquire any Bonds from an Authorised Offeror, you will do so, and offers and sales of the Bonds to you by such an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and you including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with you in connection with the offer or sale of the Bonds and, accordingly, this Prospectus does not contain such information. The information relating to the procedure for making applications will be provided by the relevant Authorised Offeror to you at the relevant time.</p>
--	--	--

Section B – The Issuer and the Charity

Element	Title	
B.1	The legal and commercial name of the issuer.	<p><i>Issuer</i></p> <p>Retail Charity Bonds PLC (the “Issuer”)</p> <p><i>Charity</i></p> <p>The Dolphin Square Charitable Foundation (the “Charity”)</p>
B.2	The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.	<p><i>Issuer</i></p> <p>The Issuer is a public limited company incorporated in England and Wales under the Companies Act 2006.</p> <p><i>Charity</i></p> <p>The Charity is an unincorporated trust and is a registered charity in England and Wales (No. 1110090). Dolphin Square Charitable</p>

		Trustee (the “ Dolphin Trustee ”) is the sole trustee of the Charity. The Dolphin Trustee is a private company limited by guarantee without share capital (Company No. 05442737) registered in England.																																																																								
B.5	If the issuer is part of a group, a description of the group and the issuer’s position within the group.	<i>Charity</i> The Dolphin Trustee holds the shares in four subsidiaries on behalf of the Charity (which, together with the Charity, form the “ Group ”). The Group operates under the trading name of “Dolphin Living”.																																																																								
B.9	Profit forecast or estimate	<i>Charity</i> Not Applicable. No profit forecasts or estimates have been made in respect of the Charity in the Prospectus.																																																																								
B.10	Audit report qualifications	<i>Charity</i> Not Applicable. No qualifications are contained in any audit report in respect of the Charity included in the Prospectus.																																																																								
B.12	Selected historical key financial information																																																																									
	<p><i>Charity</i></p> <p>A summary of the Charity’s historical income and expenditure account and balance sheet is set out below, which has been extracted without material adjustment from the audited consolidated financial statements of the Charity for the years ending 31 March 2012 to 31 March 2016.</p> <p>There has been no significant change in the financial or trading position of the Charity or the Group since 31 March 2016 and there has been no material adverse change in the prospects of the Charity or the Group since 31 March 2016.</p> <p><i>Consolidated statement of financial activities</i></p> <table border="1"> <thead> <tr> <th>Year Ended 31 March</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> </tr> <tr> <td></td> <td>£’000</td> <td>£’000</td> <td>£’000</td> <td>£’000</td> <td>£’000</td> </tr> </thead> <tbody> <tr> <td>Rental Income</td> <td>119</td> <td>282</td> <td>615</td> <td>1,366</td> <td>2,623</td> </tr> <tr> <td>Deed of Gift</td> <td>5,000</td> <td>300</td> <td>28,750</td> <td>619</td> <td>-</td> </tr> <tr> <td>Investment income</td> <td>2,658</td> <td>2,784</td> <td>2,423</td> <td>905</td> <td>405</td> </tr> <tr> <td>Other income</td> <td>-</td> <td>-</td> <td>-</td> <td>8,020</td> <td>230</td> </tr> <tr> <td>Operating Costs</td> <td>1,007</td> <td>1,454</td> <td>1,488</td> <td>1,852</td> <td>2,406</td> </tr> <tr> <td>Depreciation and amortisation</td> <td>11</td> <td>16</td> <td>32</td> <td>212</td> <td>459</td> </tr> <tr> <td>Operating Surplus</td> <td>6,759</td> <td>1,896</td> <td>30,268</td> <td>8,846</td> <td>393</td> </tr> <tr> <td>Realised and unrealised losses on investments</td> <td>1,199</td> <td>541</td> <td>308</td> <td>341</td> <td>125</td> </tr> <tr> <td>Interest Payable</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>100</td> </tr> <tr> <td>Net Income</td> <td>5,560</td> <td>1,355</td> <td>29,960</td> <td>8,505</td> <td>168</td> </tr> </tbody> </table>		Year Ended 31 March	2012	2013	2014	2015	2016		£’000	£’000	£’000	£’000	£’000	Rental Income	119	282	615	1,366	2,623	Deed of Gift	5,000	300	28,750	619	-	Investment income	2,658	2,784	2,423	905	405	Other income	-	-	-	8,020	230	Operating Costs	1,007	1,454	1,488	1,852	2,406	Depreciation and amortisation	11	16	32	212	459	Operating Surplus	6,759	1,896	30,268	8,846	393	Realised and unrealised losses on investments	1,199	541	308	341	125	Interest Payable	-	-	-	-	100	Net Income	5,560	1,355	29,960	8,505	168
Year Ended 31 March	2012	2013	2014	2015	2016																																																																					
	£’000	£’000	£’000	£’000	£’000																																																																					
Rental Income	119	282	615	1,366	2,623																																																																					
Deed of Gift	5,000	300	28,750	619	-																																																																					
Investment income	2,658	2,784	2,423	905	405																																																																					
Other income	-	-	-	8,020	230																																																																					
Operating Costs	1,007	1,454	1,488	1,852	2,406																																																																					
Depreciation and amortisation	11	16	32	212	459																																																																					
Operating Surplus	6,759	1,896	30,268	8,846	393																																																																					
Realised and unrealised losses on investments	1,199	541	308	341	125																																																																					
Interest Payable	-	-	-	-	100																																																																					
Net Income	5,560	1,355	29,960	8,505	168																																																																					

Consolidated balance sheets

Year Ended 31 March	2012	2013	2014	2015	2016
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					-
Goodwill	-	-	-	346	273
Freehold & Leasehold buildings	3,642	6,186	21,584	45,785	83,812
Land & Buildings Under Development	24,416	32,595	30,689	46,368	38,838
Investments	67,553	49,814	54,234	28,861	62,589
Other Fixed Assets	14	91	81	54	36
Total Fixed Assets	95,625	88,686	106,588	121,414	185,548
Current Assets					
Debtors & Prepayments	1,245	787	354	1,028	2,310
Cash at Bank	12,505	21,263	34,445	29,447	22,033
Total Current Assets	13,750	22,050	34,799	30,475	24,343
Creditors: Amounts falling due within 1 year	382	388	1,078	3,076	3,504
Net Current Assets	13,368	21,662	33,721	27,399	20,839
Total Assets less Current Liabilities	108,993	110,348	140,309	148,813	206,387
Creditors: Amounts falling due after more than 1 year	-	-	-	-	57,406
Net Assets	108,993	110,348	140,309	148,813	148,981
Unrestricted Funds	108,963	110,348	140,309	148,813	148,981

B.13

Events impacting the Issuer's solvency

Charity

Not Applicable. There are no recent events particular to the Charity which are to a material extent relevant to the evaluation of the Charity's solvency.

B.14	Dependence on other group entities	<p><i>Charity</i></p> <p>The Charity is the parent entity of the Group. The Charity is not dependent upon the financial position of its subsidiary group entities and controls the activities of such subsidiary group entities.</p>
B.15	Principal Activities	<p><i>Charity</i></p> <p>The Charity's main activities are: (i) the provision of homes for rent predominantly for working Londoners with 94 market rent units, 460 intermediate rent units and 46 social rent units under management as at 31 March 2017; and (ii) the development of new homes for rent, with 196 units under development as at 31 March 2017.</p>
B.16	To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.	<p><i>Issuer</i></p> <p>The entire issued share capital of the Issuer is held by: RC Bond Holdings Limited (“Holdings”); and Allia Ltd., which holds one ordinary share designated as a special share (the “Special Share”).</p> <p>In respect of any resolution proposed in relation to any alteration in the articles of association of the Issuer (which includes any alteration to the corporate objects of the Issuer), 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 Issuer. The Issuer does not have the ability to declare a dividend or distribution to be paid to its members.</p> <p>Holdings has exclusive control of the Issuer (and has the ability to appoint and remove directors of the Issuer by ordinary resolution) other than in relation to a proposal to alter the articles of association of the Issuer (as described above) in respect of which the holder of the Special Share controls whether such resolution is approved or not.</p> <p><i>Charity</i></p> <p>Not applicable. The Charity has no shareholders and the shares of its subsidiaries are held by the Dolphin Trustee on behalf of the Charity.</p>
B.17	Credit ratings assigned to an issuer or its debt securities at the request or with the co-operation of the issuer in the rating process.	<p><i>Issuer</i></p> <p>Not applicable. Neither the Issuer nor the Bonds are, nor will they be, rated.</p>

B.20	A statement whether the issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities.	<p><i>Issuer</i></p> <p>The Issuer is an entity which has been established for the purpose of issuing asset-backed securities.</p>
B.21	A description of the issuer’s principal activities including a global overview of the parties to the securitisation programme including information on the direct or indirect ownership or control between those parties.	<p><i>Issuer</i></p> <p>The Issuer’s principal activity is to issue debt securities (such as the Bonds) and to lend the proceeds of issue to exempt charities or registered charities in the United Kingdom (such as The Dolphin Square Charitable Foundation) to be applied in the achievement of the relevant charity’s objects. The Issuer is not itself a charity.</p> <p>The principal parties relevant to the issue of the Bonds are: (i) Retail Charity Bonds PLC as Issuer of the Bonds; (ii) Allia Impact Finance Ltd. as the servicer (the “Servicer”) in respect of the Bonds and the Loan Agreement (as defined below); (iii) the Charity as borrower under the Loan Agreement between the Issuer and the Charity; (iv) Prudential Trustee Company Limited as trustee (the “Trustee”) in respect of the Bonds; (v) The Bank of New York Mellon, London Branch as registrar (the “Registrar”) in respect of the Bonds; and (vi) The Bank of New York Mellon, London Branch as agent (the “Agent”).</p> <p>There are no relationships of direct or indirect control between the parties listed above.</p>
B.22	Where, since the date of incorporation or establishment, an issuer has not commenced operations and no financial statements have been made up as at the date of the registration document, a statement to that effect.	<p><i>Issuer</i></p> <p>Not Applicable. The Issuer has published audited condensed financial statements for the period from the date of its incorporation on 14 March 2014 to 31 August 2015 and for the year ended 31 August 2016.</p>
B.23	Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.	

Issuer

The financial information below has been extracted from the Issuer's audited financial statements for the period from the date of its incorporation on 14 March 2014 to 31 August 2015 and for the year ended 31 August 2016.

Profit and Loss Account

	Period ended 31 August 2015	Year ended 31 August 2016
	£'000	£'000
Turnover	32	37
Interest receivable and similar income	941	2,045
Interest payable and similar charges	(941)	(2,045)
Other income	59	22
Administrative expenditure	(89)	(59)
Profit before taxation	2	-
Tax	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2	-

Balance sheet

	As at 31 August 2015	As at 31 August 2016
	£'000	£'000
Current assets		
Debtors: amounts due after more than one year	37,667	57,435
Debtors: amounts due after less than one year	513	832
Cash at bank and in hand	2	111
	38,182	58,378
Creditors		
Amounts falling due within one year	(463)	(891)
Net current assets	37,719	57,487
Creditors		
Amount falling due after one year	(37,667)	(57,435)
Net assets	52	52
Capital and reserves		
Share capital	50	50
Profit and loss account	2	2
Shareholder's funds	52	52

B.24	A description of any material adverse change in the prospects of the issuer since the date of its last published audited financial statements.	<p><i>Issuer</i></p> <p>There has been no material adverse change in the financial position or prospects of the Issuer since 31 August 2016.</p>
B.25	<p>A description of the underlying assets including:</p> <ul style="list-style-type: none"> • confirmation that the securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities • a description of the general characteristics of the obligors and in the case of a small number of easily identifiable obligors, a general description of each obligor • a description of the legal nature of the assets • loan to value ratio or level of collateralisation 	<p><i>Issuer</i></p> <p><i>Capacity to produce funds</i></p> <p>The proceeds from the issue of the Bonds (other than the Retained Bonds) will be loaned by the Issuer to the Charity by way of a loan (the “Initial Advance”) on the terms of a loan agreement (the “Loan Agreement”) to be entered into between the Issuer and the Charity on 6 July 2017 (the “Issue Date”). The Loan Agreement shall be substantially in the form set out in Annex D of this Prospectus.</p> <p>On any date on which the Issuer sells the Retained Bonds, in whole or in part, the Issuer will make a further advance (a “Retained Advance”) in accordance with the Loan Agreement with a principal amount equal to the principal amount of the Retained Bonds sold, where such Retained Advance will be made in an amount equal to the gross sale proceeds of the Retained Bonds so sold (the “Retained Bond Actual Advance Amount”). If such sale of Retained Bonds is made at a discount or premium to the principal amount of such Retained Bonds, the relevant Retained Advance shall correspondingly be made at a discount, or premium, as applicable.</p> <p>The aggregate principal amount of the Initial Advance and any Retained Advances made under the Loan Agreement, or the principal amount outstanding of such amounts from time to time, shall be the “Loan”.</p> <p>Any difference between the principal amount of an advance and the relevant Retained Bond Actual Advance Amount shall be ignored in determining the amount of the Loan and, amongst other things, the calculation of interest, principal and any other amounts payable in respect thereof.</p> <p>Any Retained Bonds shall, following a sale to any third party from time to time, cease to be Retained Bonds to the extent of and upon such sale or disposal. Bonds which have ceased to be Retained Bonds shall carry the same rights and be subject in all respects to the same conditions as other Bonds.</p> <p>For so long as any Retained Bonds are held by or on behalf of the Issuer, the Charity may request that an amount of the undrawn portion of the Commitment (as defined in the Loan Agreement) be cancelled. As soon as practicable following any such request, the</p>

	<p>on</p> <ul style="list-style-type: none"> • Where a valuation report relating to real property is included in the prospectus, a description of the valuation. 	<p>Issuer shall cancel Retained Bonds in a corresponding amount. Such cancellation of the undrawn portion of the Commitment shall take effect upon the cancellation of such Retained Bonds.</p> <p>Payments of interest and principal by the Issuer in respect of the Bonds will be funded solely by the interest and principal which the Issuer receives from the Charity under the Loan. The terms of the Loan and those of the Bonds will be aligned such that payments of interest and repayments of principal are identical (save that the Charity has agreed to make payments of interest and repayments of principal under the Loan two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds and subject to any withholding taxes either on amounts paid under the Loan or under the Bonds), and accordingly the Loan has characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds (other than in respect of the Retained Bonds).</p> <p>The Loan Agreement contains certain covenants which the Charity has agreed to comply with from time to time such as, for example a requirement to ensure that, as at each relevant testing date, the sum of the (i) unencumbered properties, (ii) fixed asset investments, (iii) land and buildings under development, (iv) cash and (v) cash equivalent investments of the Charity's group are not less than 130% of the total unsecured debt of the Charity's group, as determined by reference to the financial statements of the Charity's group.</p> <p><i>Brief description of the obligor (i.e. the Charity)</i></p> <p>The Charity is the sole borrower under the Loan. The Charity is an unincorporated trust and a registered charity in England and Wales (No. 1110090).</p> <p><i>Legal nature of the assets</i></p> <p>The underlying asset is the Loan Agreement. The Loan Agreement will be governed by English law. The Issuer's rights to receive payments under the Loan from the Charity and certain related rights under the issue documents for the Bonds will be charged as security for the benefit of the investors in the Bonds. This means that if the Charity fails 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 holders of the Bonds (the "Bondholders")) may enforce the terms of the Loan against the Charity. If any amounts are recovered, they will be available, following payment of certain costs related to enforcement (such as the fees of the Trustee), for payment to the Bondholders.</p> <p>Whilst the Issuer may, from time to time, issue other bonds and lend the proceeds of those issues to other charities, the only assets of the Issuer to which investors in the Bonds will have recourse if the Issuer fails to make payments in respect of the Bonds will be the</p>
--	---	--

		<p>Issuer's rights under the Loan Agreement and the related rights under the issue documents. The Bondholders will not have recourse to the other assets of the Issuer in connection with the other bond issues.</p> <p><i>Loan to value ratio</i></p> <p>The principal amount of the Loan will be equal to the principal amount of the Bonds (other than the Retained Bonds). The interest rate payable by the Charity under the Loan Agreement will be identical to the interest rate payable on the Bonds (save that the Charity has agreed to make payments of interest and repayments of principal under the Loan two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds). The Charity will pay an additional sum to the Issuer under the Loan Agreement to cover the payment of general expenses relating to the Issuer.</p> <p><i>Valuation report</i></p> <p>Not applicable. There is no valuation report included in the Prospectus.</p>
B.26	In respect of an actively managed pool of assets backing the issue a description of the parameters within which investments can be made, the name and description of the entity responsible for such management including a brief description of that entity's relationship with any other parties to the issue.	<p><i>Issuer</i></p> <p>Not applicable. The Loan will be the sole asset backing the issue of the Bonds. There will not be an actively managed pool of assets.</p>
B.27	Where an issuer proposes to issue further securities backed by the same assets a statement to that effect.	<p><i>Issuer</i></p> <p>The Issuer may issue further Bonds, which could be consolidated and form a single series of bonds with the Bonds. In such circumstances, the size of the Loan would be increased in an amount which corresponds to the principal amount of the further Bonds issued.</p>

<p>B.28</p>	<p>A description of the structure of the transaction, including, if necessary, a structure diagram.</p>	<p>Cash flows</p> <hr/> <pre> graph TD BH[BONDHOLDERS] <--> Bonds RC[RETAIL CHARITY BONDS PLC (Issuer)] RC <--> Loan Agreement CF[THE DOLPHIN SQUARE CHARITABLE FOUNDATION (Charity)] </pre> <p>N.B. the proceeds of any Retained Bonds, once sold to any third party from time to time, will be advanced under the Loan Agreement at that time.</p> <p><i>Issuer</i></p> <p>The Issuer will issue the Bonds and loan the proceeds of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) to the Charity on the terms of the Loan Agreement. The Charity will agree to pay interest on the Loan and when due it will agree to repay the principal amount of the Loan to the Issuer. Payments of interest and principal made by the Issuer in respect of the Bonds will be solely funded by the interest and principal which the Issuer receives from the Charity under the Loan Agreement.</p> <p>The Issuer will assign by way of security its right to receive interest and principal under the Loan Agreement to the Trustee. The Trustee will hold that right for the benefit of the Bondholders and certain other secured parties. As such, if the Charity does not make payments of interest or 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 Bondholders) may enforce the terms of the Loan against the Charity for the benefit of the Bondholders and for the benefit of certain other secured parties.</p>
<p>B.29</p>	<p>A description of the flow of funds including information on swap counterparties and any other material forms of credit/liquidity enhancements and the providers thereof.</p>	<p><i>Issuer</i></p> <p>Payments in respect of the Bonds will be funded by the interest and principal payable on the Loan Agreement. No swaps will be entered into nor will any other form of credit or liquidity enhancement be provided in connection with the Bonds.</p>

<p>B.30</p>	<p>The name and a description of the originators of the securitised assets.</p>	<p><i>Issuer</i></p> <p>The Loan Agreement will be entered into between the Issuer and the Charity. Payments of interest and principal due on the Bonds are backed by payments due on the Loan Agreement. Bondholders have access to the payments due on the Loan Agreement through the security that has been granted by the Issuer in favour of the Bondholders over its rights in respect of the Loan Agreement. If the Charity does not meet its obligations under the Loan Agreement resulting in an event of default under the terms and conditions of the Bonds, the Bondholders may instruct the Trustee to enforce the security and take control of the Loan.</p> <p><i>Charity</i></p> <p>The Charity is The Dolphin Square Charitable Foundation and is a landlord and developer of homes to rent predominantly for working Londoners, operating exclusively within London.</p>
--------------------	--	--

Section C – Securities

Element	Title	
<p>C.1</p>	<p>A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.</p>	<p>The 4.25 per cent. Bonds due 6 July 2026 (including Retained Bonds) (the “Bonds”) will be issued in registered form. The nominal amount of each Bond (being the amount which is used to calculate payments made on each Bond) is £100.</p> <p>The International Securities Identification Number (“ISIN”) for the Bonds is XS1634535253 and the Common Code is 163453525.</p>
<p>C.2</p>	<p>Currency of the securities issue.</p>	<p>Pounds Sterling (“£”).</p>
<p>C.5</p>	<p>A description of any restrictions on the free transferability of the securities.</p>	<p>Not applicable. There are no restrictions on the free transferability of the Bonds.</p>
<p>C.8</p>	<p>A description of the rights attached to the securities including:</p> <ul style="list-style-type: none"> • ranking • limitations to those rights 	<p><i>Ranking</i></p> <p>The Bonds will constitute direct, limited recourse obligations of the Issuer, secured in the manner described under “<i>Security</i>” and “<i>Limited Recourse</i>” below, and will rank <i>pari passu</i> (i.e. equally in right of payment) among themselves.</p> <p><i>Security</i></p> <p>The Trustee will take security over the Issuer’s rights arising under the Loan Agreement.</p> <p><i>Limited recourse</i></p>

		<p>Bondholders will have no rights or recourse with respect to any loan agreements for any other series of bonds issued by the Issuer.</p> <p><i>Enforcement</i></p> <p>If the Charity does not meet its obligations under the Loan Agreement resulting in the occurrence of an event of default under the terms and conditions of the Bonds, the Trustee will be entitled to accelerate the Loan (which means that it becomes immediately due and payable). The Trustee will be entitled to take such steps as it in its absolute discretion considers appropriate in an attempt to ensure the payment of the outstanding sum and, if necessary, may take action against the Charity to enforce the Issuer’s rights under the Loan Agreement. However, the Trustee will not be bound to take any such enforcement action unless it has been indemnified and/or secured and/or pre-funded to its satisfaction.</p> <p><i>Taxation</i></p> <p>All payments in respect of the Bonds by the Issuer or any Paying Agent and the Loan by the Charity will be made without withholding or deduction for or on account of taxes unless such withholding or deduction is required by applicable law. In the event that any such deduction is made, neither the Issuer, nor any Paying Agent, nor the Charity (as applicable) will be required to pay additional amounts to cover the amounts so deducted or withheld.</p> <p><i>Events of default</i></p> <p>An event of default is a breach by the Issuer of certain provisions in the terms and conditions of the Bonds or the occurrence of other specified events. Events of default under the Bonds include (amongst others) the following: (a) (subject to the right of the Issuer to defer the payment of principal on the Bonds until the Legal Maturity Date (as defined below)) default in payment of any principal or interest due in respect of the Bonds, continuing for a specified period of time; (b) non-performance or non-observance by the Issuer of any other obligations under the conditions of the Bonds or the Trust Deed, continuing for a specified period of time; (c) certain events relating to the insolvency or winding-up of the Issuer; and (d) (subject to the right of the Issuer to defer the payment of principal on the Bonds until the Legal Maturity Date) a default under the Loan Agreement is not remedied within 30 days of the occurrence thereof.</p> <p><i>Meetings</i></p> <p>The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit a certain number of people to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p>
--	--	--

		<p><i>Governing law</i></p> <p>English law.</p>
C.9	<p>A description of the rights attached to the securities including:</p> <ul style="list-style-type: none"> • the nominal interest rate • the date from which interest becomes payable and the due dates for interest • where the rate is not fixed, description of the underlying on which it is based • maturity date and arrangements for the amortisation of the loan, including the repayment procedures • an indication of yield • name of representative of debt security holders 	<p><i>Interest</i></p> <p>The Bonds bear interest from their date of issue at the fixed rate of 4.25 per cent. per annum. The yield of the Bonds is 4.25 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 6 January and 6 July in each year. If repayment of the Loan is deferred until the Legal Maturity Date (as defined below) rather than being made on the Expected Maturity Date, the rate of interest payable on the Bonds will be increased by an additional 1.00 per cent. per annum from, and including, the Expected Maturity Date to, but excluding, the Legal Maturity Date.</p> <p><i>Redemption</i></p> <p>Subject to any purchase and cancellation or early redemption, the Bonds are scheduled to be redeemed at 100 per cent. of their nominal amount on 6 July 2026 (the “Expected Maturity Date”). However, if and to the extent that the Charity elects to extend the maturity date of the Loan pursuant to its right to do so under the terms of the Loan, the redemption of the Bonds will be postponed until 6 July 2028 (the “Legal Maturity Date”).</p> <p>The Bonds will be redeemed early if the Charity repays the Loan early and in full in circumstances in which it is permitted to do so, at the Sterling Make-Whole Redemption Amount. The Sterling Make-Whole Redemption Amount is an amount which is calculated to ensure that the redemption price produces a sum that, if reinvested in a reference bond (in this case a UK gilt), would continue to give the Bondholders the same yield on the money that was originally invested as they would have received had the Bonds not been redeemed.</p> <p><i>Representative of holders</i></p> <p>Prudential Trustee Company Limited will act as Trustee for the Bondholders and Allia Impact Finance Ltd. will act as Servicer for the Issuer.</p>
C.10	<p>If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their</p>	<p>Not Applicable. The rate of interest payable on the Bonds is 4.25 per cent. per annum and does not contain a derivative component.</p>

	investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.	
C.11	An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question.	The Bonds will be listed on the Official List of the Financial Conduct Authority and admitted to trading on the regulated market of the London Stock Exchange plc and through the London Stock Exchange’s electronic Order book for Retail Bonds (“ ORB ”).
C.12	The minimum denomination of an issue.	The Bonds will be issued in denominations of £100.

Section D – Risks

Element	Title	
D.2	Key information on the key risks that are specific to the issuer.	<p><i>Issuer:</i></p> <ul style="list-style-type: none"> • The Issuer is an entity which has been established for the purpose of issuing asset-backed securities. It has very limited assets. As investors in the Bonds, Bondholders will only have limited recourse to certain of those assets in the event that the Issuer fails to make payments in respect of the Bonds. • The Issuer’s only material assets in respect of the Bonds will be its rights under the Loan Agreement and, accordingly, as investors in the Bonds, Bondholders will take credit risk on the Charity. • The Issuer is a party to contracts with a number of third parties that have agreed to perform certain services in relation to the Bonds. The nature of some of these services is highly specialised and disruptions in these arrangements could lead to Bondholders incurring losses on the Bonds. • The Issuer has not undertaken and will not undertake any investigations or due diligence to establish the

Element	Title	
		<p>creditworthiness of the Charity for the benefit of the Bondholders.</p> <p><i>Charity:</i></p> <ul style="list-style-type: none"> • The majority of the Group’s income is rent received from tenants of the Group’s properties. Non-payment of a material amount of rent due from tenants, or delay in receipt of a material amount of rent from tenants, could affect the ability of the Charity to meet its obligations under the Loan Agreement. • If a material number of the Group’s properties are vacant, this could result in a reduction in the Charity’s surplus, which may mean that the Charity is unable to repay its liabilities as they fall due, including those under the Loan Agreement. • Material cost overruns on the Group’s property development projects may adversely impact the Charity’s financial position and its ability to meet its obligations under the Loan Agreement. • The Group has outsourced day-to-day tenancy management to Touchstone CPS (“Touchstone”). The financial or operational failure of Touchstone may have an adverse effect on the cash flow and financial position of the Charity and its ability to meet its obligations under the Loan Agreement.
D.3	<p>Key information on the key risks that are specific to the securities.</p>	<ul style="list-style-type: none"> • In certain circumstances, repayment of the Bonds may be deferred to a later date, and such deferral will not constitute a default under the terms of the Bonds, provided the Bonds are repaid on the Legal Maturity Date. • The Bonds are not protected by the UK Financial Services Compensation Scheme. • The Bonds are limited recourse obligations of the Issuer and the rights of enforcement for investors are limited. • Bondholders do not have direct recourse to the Charity in respect of any failure of the Charity to fulfil its obligations under the Loan Agreement. However, the Issuer will assign by way of security its rights, title and interest in the Loan Agreement in favour of the Trustee for the benefit of the Bondholders and the other secured parties. • The Bonds pay interest at a fixed rate and the Issuer will pay principal and interest on the Bonds in pounds sterling, which potentially exposes Bondholders to interest rate risk, inflation risk and exchange rate risk.

Element	Title	
		<ul style="list-style-type: none"> • Neither the Bonds nor the Loan Agreement contains a gross-up provision requiring the Issuer or the Charity to pay any additional amounts to Bondholders or (in the case of the Loan Agreement) the Issuer, to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds or the Loan Agreement. • If a withholding or deduction for or on account of tax in respect of payments due on the Loan by the Charity result in a shortfall in the amounts available to the Issuer to pay interest due on the Bonds, such shortfall shall be deferred and shall become due and payable on the next interest payment date to the extent that the Issuer has sufficient funds (in accordance with its priority of payments) to pay such shortfall. • Bondholders may not receive payment of the full amounts due in respect of the Bonds as a result of amounts being withheld by the Issuer or the Charity in order to comply with applicable law. • Defined majorities may be permitted to bind all the Bondholders with respect to modification and waivers of the terms and conditions of the Bonds. • If the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Companies Regulations 2006 (S.I. 2006/3296) (as amended) (or subsequently ceases to satisfy those conditions), then the Issuer could suffer tax liabilities not contemplated in the cash flows for the transaction described herein.

Section E – Offer

Element		
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks.	The proceeds from the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) will be advanced by the Issuer to the Charity pursuant to the Loan Agreement, to be applied by the Charity in furtherance of its charitable objects, including, but not limited to, the acquisition, development and management of housing properties for rent.
E.3	A description of the terms and conditions of the offer.	The Offer is expected to open on 20 June 2017 and close at 12.00 noon (London time) on 30 June 2017 or such other time and date as may be agreed between the Issuer and the Manager and announced via a Regulatory Information Service.

		<p>You will be notified by the relevant Authorised Offeror of your allocation of Bonds and instructions for delivery of and payment for the Bonds. You may not be allocated all (or any) of the Bonds for which you apply.</p> <p>The Bonds will be issued at the issue price (which is 100 per cent. of the principal amount of the Bonds) and the aggregate principal amount of the Bonds to be issued will be specified in the issue size announcement published by the Issuer on a Regulatory Information Service.</p> <p>The issue of Bonds is conditional upon (i) a subscription agreement being signed by the Issuer and the Manager on or about 3 July 2017 (the “Subscription Agreement”), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 3 July 2017 (the “Commitment Agreement”); and (iii) the Loan Agreement being signed by the Issuer and the Charity on or about 6 July 2017. The Subscription Agreement will include certain conditions customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and comfort letters from the independent auditors of the Charity satisfactory to the Manager).</p> <p>The minimum subscription amount per investor is for a principal amount of £500 of the Bonds.</p>
E.4	A description of any interest that is material to the issue/offer including conflicting interests.	<p>The Manager will be paid aggregate commissions equal to 0.50 per cent. of the nominal amount of the Bonds issued. The Authorised Offerors will also receive commissions of up to 0.25 per cent. of the nominal amount of the Bonds delivered to them (payable out of the fee paid to the Manager). The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p>
E.7	Estimated expenses charged to the investor by the issuer or the offeror.	<p>Not Applicable. There are no expenses charged to the investor by the Issuer. An Authorised Offeror may charge you expenses. However, these are beyond the control of the Issuer and are not set by the Issuer. The Issuer estimates that, in connection with the sale of Bonds to you, the expenses charged to you by one of the Authorised Offerors known to it as of the date of this Prospectus will be between 1 per cent. and 7 per cent. of the aggregate principal amount of the Bonds sold to you.</p>

2

RISK FACTORS

The following section sets out certain risks relating to an investment in the Bonds, including risks relating to the Issuer's ability to make payments under the Bonds, risks relating to the Charity's ability to make payments under the Loan Agreement and risks relating to the structure of the Bonds.

RISK FACTORS

The following is a description of the principal risks and uncertainties which may affect the Issuer's or the Charity's, as the case may be, ability to fulfil its obligations under the Bonds or the Loan Agreement, respectively, as the case may be.

Any references to the "Group" or to "Dolphin" shall mean the Charity and its subsidiaries.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BONDS

The Issuer is an entity which has been established for the purpose of issuing asset-backed securities. It has very limited assets, and investors in the Bonds will only have limited recourse to certain of those assets in the event that the Issuer fails to make payments in respect of the Bonds.

The Issuer is an entity which has been established for the purpose of issuing asset-backed securities, which means that it has been incorporated for specific purposes only (i.e. to issue bonds), will not conduct business more generally and has very limited assets. The Issuer will not engage in any business activity other than the issuance of bonds under an established issuance facility, the lending of the proceeds of the issue of such bonds to charities in the United Kingdom under loan agreements, the entry into and performance of its obligations in respect of such issuance facility and the performance of any act incidental to or necessary in connection with the aforesaid (see Appendix B ("*Terms and Conditions of the Bonds*"). The proceeds of the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) described in this Prospectus will be loaned to the Charity under the Loan Agreement to be dated the date of issue of the Bonds. Since the Issuer does not have any general income-producing business, its ability to make payments under the Bonds will depend entirely on the Charity making payments to the Issuer under the Loan Agreement.

The Issuer's only material assets corresponding to the Bonds will be its rights under the Loan Agreement and under the issuance facility insofar as they relate to the Bonds and the Loan Agreement. Whilst the Issuer may issue other bonds and advance loans to other charities, the Issuer's rights in respect of those other loan agreements will be held as security for the holders of the corresponding bonds and will not be available to investors in the Bonds described in this Prospectus. Accordingly, in the event that the Issuer fails to make payments in respect of the Bonds, investors in the Bonds will have recourse only to certain of the assets of the Issuer.

If the Charity fails to make payments under the Loan Agreement, the Issuer will not be able to meet its payment obligations in respect of the Bonds.

The Issuer's only material assets corresponding to the Bonds will be its rights under the Loan Agreement and, accordingly, investors in the Bonds will take credit risk on the Charity

Credit risk can be described as the risk that a borrower of money will be unable to repay it. Investors in the Bonds will take credit risk on the Charity. If the Charity becomes unable to pay its debts as they fall due, an investor in the Bonds could lose some or the entire amount of its investment. Accordingly, investors should have regard to the detailed information contained in this Prospectus in relation to the Charity to assess the credit risk of an investment in the Bonds.

No independent investigation by the Issuer of the Charity

The Issuer has not undertaken and will not undertake any investigations or due diligence to establish the creditworthiness of the Charity for the benefit of holders of the Bonds ("**Bondholders**"). The Issuer does not

provide any credit enhancement, guarantee or any other credit support in respect of the Charity or its obligations under the Loan Agreement.

The Issuer is under no obligation to monitor the performance by the Charity of the Loan Agreement

The Issuer is under no obligation to investigate or monitor the continued compliance by the Charity of the covenants in the Loan Agreement and is entitled to assume without enquiry that no event of default has occurred under the Loan Agreement.

In addition, the Issuer is under no obligation to take any action (including any enforcement action following the occurrence of an event of default under the Loan Agreement) in relation to the Charity or in respect of its rights under the Loan Agreement.

Investors should note that the Charity has agreed to deliver certain information to Allia Impact Finance Ltd. (the “**Servicer**”) (copied to the Issuer) pursuant to the terms of the Loan Agreement including (i) its audited annual report and accounts; (ii) a compliance certificate confirming whether a default is continuing at the relevant time; and (iii) an annual statement of social impact. The forms of such compliance certificate and annual statement of social impact are set out in Appendix D (“*Loan Agreement*”) and Schedule 1 (“*Form of Compliance Certificate*”) and Schedule 2 (“*Form of Annual Statement on Social Impact*”) to the Loan Agreement. In addition, the Charity is required to notify the Issuer of any default under the Loan Agreement promptly upon becoming aware of its occurrence. Investors should note, however, that the Issuer shall not be responsible for reviewing or monitoring the receipt of any such information and that Bondholders will therefore be responsible for reviewing such information and deciding upon a course of action to be taken in relation to it.

The Issuer has agreed to forward such information to Prudential Trustee Company Limited (the “**Trustee**”) under the trust deed dated 26 June 2014 as supplemented from time to time and to publish the information received from the Charity from time to time required to be delivered under the Loan Agreement on its website at <http://www.retailcharitybonds.co.uk/bonds/dolphin>. In practice, the Servicer will forward this information to the Trustee and publish such information on the Issuer’s website on behalf of the Issuer in accordance with the terms of the Services Agreement dated 26 June 2014 (the “**Services Agreement**”). All such information from the Charity will be made available to the Servicer and copied to the Issuer, in order that the Servicer can perform its functions in relation to such information as described in this paragraph.

The Issuer’s reliance on third parties

The Issuer is a party to contracts with a number of third parties that have agreed to perform certain services in relation to the Bonds.

For example, the Servicer has agreed to provide services in respect of the Loan Agreement and the Bonds under the Services Agreement (which include, among other things, the provision of certain servicing and cash management services to the Issuer and the forwarding of information to the Trustee received from the Charity and publishing such information on the Issuer’s website). Since the Issuer has no employees, it relies entirely on the Servicer to perform these services on its behalf.

The nature of such services provided by the Servicer is highly specialised and it may be difficult to identify a replacement service provider with the requisite skills and experience to perform these roles.

Disruptions in cash management or servicing arrangements which may be caused by the failure to appoint a successor servicer or a failure of the Servicer to carry out its services could lead to Bondholders incurring losses on the Bonds.

The Issuer will rely on the Servicer to carry out certain obligations of the Issuer under the respective agreements to which it is a party. In the event that the Servicer were to fail to perform its obligations under the Services Agreement, the Bonds may be adversely affected. In particular, the failure of the Servicer to deliver or publish

information received from the Charity on behalf of the Issuer where it is obliged to do so could lead to losses on the Bonds.

Bondholders cannot rely on any person other than the Issuer to make payments on the Bonds

No recourse under any obligation, covenant or agreement of the Issuer under the Bonds shall be made against any director or member of the Issuer as such, it being understood that the obligations of the Issuer under the Bonds are corporate obligations of the Issuer, and no personal liability shall attach to, or be incurred by, the directors or members of the Issuer as such, under or by reason of any such obligations, covenants and agreements of the Issuer.

No ability to appoint an administrative receiver in respect of the Issuer

The security granted by the Issuer to the Trustee will not entitle the Trustee to appoint an administrative receiver. Therefore, if the Issuer were to be subject to administration proceedings, the Trustee would have no ability to block such administration. As a result, if such administration proceedings were commenced in respect of the Issuer, the enforcement of the security by the Trustee may be subject to an administration moratorium, which would result in such enforcement, and therefore the ability for the Bondholders to recover against the Issuer, being postponed for a period of time.

For a description of certain risks which may affect the Charity's ability to make payments due under the Loan Agreement, see "*Factors that may affect the Charity's ability to fulfil its obligations under the Loan Agreement*" below.

FACTORS THAT MAY AFFECT THE CHARITY'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE LOAN AGREEMENT

Failure by tenants to pay rent

The principal source of income for the Charity is rental income generated by its property portfolio. The Charity provides housing predominantly for working Londoners who can afford to pay the agreed rent without recourse to housing benefit. Tenants of the Group's properties are personally responsible for the rental payments on the relevant occupied properties. Dolphin advertises the household income required in order for the rent to be affordable. When potential tenants apply for a property, their ability to pay the rent is tested against the Group's affordability criteria and they are credit checked. These policies assist in ensuring Dolphin's tenants can pay their rent and reduce the risk of rent arrears owed to the Charity.

The favoured method of rent collection is via Direct Debit. This enables early identification of non-payment of rent. Immediate contact is made with any tenant paying late and appropriate further action is taken if no payment is forthcoming. In the event a tenant pays late twice, a notice is served terminating the tenancy. Prompt identification and follow-up on debts also serves to minimise rent arrears. Dolphin's rent arrears as at 31 March 2017 was £141,583 or 1.8% of its annualised current rent roll.

Dolphin recently launched a personalised rent policy at its New Era property. The policy uses the Joseph Rowntree Foundation minimum income standards to determine the living costs associated with the tenant's household composition. Dolphin then uses the household's income to determine a rent that is affordable. At other properties, affordability is also monitored and rent is usually capped at 40% of net household income. The rent is increased each year and the affordability is reassessed every three years. The Charity believes that having a rent that is truly affordable assists with rent collection levels.

Dolphin recognises that, while tenants' ability to afford the rent is tested at the application stage of a new letting or at re-letting of a property, tenants may require assistance from housing benefit as a result of changes of circumstances outside of tenants' control. Housing benefit payment cycles and the change in tenants' circumstances may lead to a higher level of rent arrears.

Day to day tenancy management is outsourced to Touchstone CPS (“**Touchstone**”) who, on behalf of the Group, maintain a close relationship with the various councils’ housing benefit departments, allowing Touchstone to more effectively communicate how arrears will be dealt with and to proactively attempt to deal with payment problems should they arise.

However, whilst Dolphin maintains policies designed to ensure its tenants’ continued ability to pay rent (as described above), the non-payment, or any delay in payment, of material amounts of rental income could affect the ability of the Charity to meet its payment obligations under the Loan Agreement and, in turn, the Issuer’s ability to make payments in respect of the Bonds.

A failure in the Group’s outsourced operations

The Group outsources tenancy management to Touchstone, including the collection of rental payments. Prior to appointing Touchstone, Dolphin reviewed Touchstone’s financial position, business reputation, service levels and disaster recovery plan. Regular meetings take place between Dolphin’s management team and Touchstone management, which the Charity believes will provide an early warning of any financial or operational difficulties experienced by Touchstone. In the event of the operational or financial failure of Touchstone, Dolphin has the option to terminate its contract with Touchstone. The Group has a range of actions which it would undertake to mitigate any issues with Touchstone, including exit provisions within the contract to ensure an orderly transition to an alternative manager could be implemented. The risk remains, however, that the financial or operational failure of Touchstone may have an adverse effect on the cash flow and financial position of the Charity and its ability to meet its obligations under the Loan Agreement. This would, in turn, have an adverse impact on the Issuer’s ability to make payments in respect of the Bonds.

Fall in occupancy levels and tenant demand

Occupancy levels of the Group’s properties are a key driver of Dolphin’s revenues. All of the Group’s properties are located in London. There is currently an undersupply of housing to buy and rent in London (source: Housing Supplementary Planning Guide, March 2016). As at 31 March 2017, 84% of the Group’s homes were let at sub-market rents and there were 3,442 households on the intermediate rental housing waiting lists held by Dolphin and Westminster City Council. As a result of these market conditions, the Charity’s occupancy level was 98.53% as at 31 March 2017.

However, there can be no assurance the current levels of occupancy will be maintained. Any drop in occupancy levels would result in a corresponding drop in rental income. This would have an adverse effect on revenue, which may impact the Charity’s ability to make payments under the Loan Agreement and, in turn, the Issuer’s ability to make payments in respect of the Bonds.

Changes to rental growth and/or cost growth that do not track changes in inflation

The Charity’s business plan assumes that both rental growth and cost growth track consumer price index (“**CPI**”) inflation which is assumed by the Charity for the purposes of internal modelling to be 2% per annum.

Rental growth of the Group’s properties is determined by: (i) general market conditions for Dolphin’s market rent homes; (ii) the terms of the planning consent for each property; and (iii) Dolphin making relevant adjustments for wage growth and affordability criteria in setting rents for its sub-market rent homes. A total of 345 sub-market units (equivalent to 57.5% of the Group’s portfolio) saw rental growth in line with the retail price index (“**RPI**”) or CPI as at 31 March 2017.

Cost growth is subject to general market conditions. The Charity undertakes sensitivity analysis on its business plan on a regular basis to demonstrate that its business model is able to sustain adverse scenarios to its base case assumptions (that is, scenarios in which cost growth exceeds CPI).

The Group has a number of mechanisms in place to mitigate the scenario of rental growth being lower than planned or cost growth higher than planned, including control over its variable cost base. However, there can be no assurance that such measures will be successful and failure to manage such risks could adversely impact the Charity's cash flows and operations. This may adversely impact the Charity's ability to make payments under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

Failure to maintain the Group's properties to an acceptable standard

Dolphin has processes in place to ensure its properties are maintained to an acceptable standard and remain attractive to potential tenants. These processes include the incorporation of routine and lifecycle maintenance costs in the Group's financial forecasts, regular inspection visits, target times for the completion of repairs and monitoring of the completion of repairs when reported. Failure to follow these processes may lead to a deterioration in the standard of the Group's properties leading to lower tenant demand and, therefore, lower rental income. This may adversely impact the Charity's ability to make payments under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

The Charity may be unable to continue to rely on existing sources of financing or on acceptable loan financing being available in the future and its financing costs may be affected by changes to interest rates

The Charity currently relies on capital financing through committed loan facilities to finance its property portfolio. The Charity only commits to development contracts which it has sufficient committed funds to complete. However, the Charity could find itself unable to access or retain sources of funding at suitable interest rates if bank or other funding lines become unavailable to the Charity (for example, if banks are unable to provide new facilities or extend existing facilities) or if it were unable to access the public and private debt markets (for example, because its financial position deteriorated or because of a general downturn in the housing market). In these circumstances, the Charity would defer its development proposals until suitable funding could be secured.

As at 31 March 2017, the Charity had total debt facilities of £89.6 million. Of these debt facilities, £53.5 million is due for repayment on 23 March 2046, £5 million is due for repayment on 3 February 2041, £26.1 million is due for repayment by 28 February 2021 and £5 million is repayable on 12 May 2020. Each of the facilities (except for the facility of £5 million repayable on 12 May 2020) is secured on assets of the Charity with an aggregate balance sheet value of £86.7 million as at 31 March 2017. As at 31 March 2017, drawings under these debt facilities amounted to £69.2 million and the weighted average unexpired term of the Charity's debt facilities was 25 years. The Charity's Acquisition & Finance Committee has adopted a Treasury Policy, including investment and funding strategies, which it reviews annually. This includes a requirement for the Acquisition & Finance Committee to consider the existing loan maturity profile prior to entering into any new funding agreements to ensure refinance risk is minimised. It also requires the Acquisition & Finance Committee to regularly review cash flow forecasts, with the aim that refinancing requirements are managed in a timely manner.

The Charity is subject to the risk of a change in interest rates in respect of its variable rate borrowing. The Charity monitors its exposure to interest rate risk through its Audit & Risk Committee and its board of Governors. The hedging strategy of the Charity is regularly reviewed by the Acquisition & Finance Committee which sets the strategy with regard to interest rate volatility and uncertainty through a balance of fixed and floating debt. It is the Charity's intention to minimise interest rate risk through the use of long term fixed rate finance. As at 31 March 2017, 77.3% of the Charity's drawn borrowings were at fixed rates of interest. The weighted average interest rate on the Charity's drawn debt as at 31 March 2017 was 3.53%.

The facility due for repayment in the next five years is not highly leveraged. The Charity intends to refinance this facility with long dated, fixed rate debt to mitigate any risks to financing in the short term.

The Charity has a strategy to manage refinance risk, and mitigates the risk of higher interest rates through largely borrowing at fixed rates of interest. However, there can be no certainty that replacement loan facilities

will be available when required, and the interest rates on the Charity's loan facilities may increase, potentially leading to an adverse impact on the Charity's financial position and cash flows which could affect the ability of the Charity to meet its payment obligations under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

The Charity may not be able to continue its business growth due to unavailability of new projects and/or lack of access to finance

Under the terms of its projects approval process the Charity is required to carefully select new investment opportunities both for properties to be acquired and for new properties to be developed in order to continue to grow its property portfolio. However, there can be no assurance that the Charity will be able to identify and complete suitable investment opportunities.

Additionally, the Charity will require further loans or other finance to acquire properties and develop new properties as it continues to increase its portfolio of homes for rent. However, there can be no assurance that the Charity will be able to access such financing in order to increase its portfolio.

The Charity undertakes sensitivity analysis of its business plan on a regular basis to consider the impact of slowing development activity in response to the unavailability of suitable investment opportunities and sources of finance. The sensitivity analysis most recently undertaken by the Charity confirmed that the Charity is currently able to continue to meet its obligations. However, there can be no guarantee that this will continue, and any failure to grow its operations may have an adverse impact on the Charity's ability to make payments under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

Project risks such as overestimating tenant demand, cost overruns and delays

The Group's property developments are appraised using estimates of tenant demand, total cost and construction period at the outset of each project.

Tenant demand is assessed through the review of demographic information, including comparison with local market rental levels and median household incomes, and through consideration of suitable transport links. Each appraisal has a development contingency included to allow for increases in costs over the life of the development.

All developments are approved and monitored in accordance with well-established internal procedures as further described in "*Description of the Charity*". The Charity only commits to new property development projects when sufficient funds are in hand to fully finance the development without recourse to additional external financing.

Although Dolphin follows its policies to ensure property development projects are completed on time and on budget, are fully let on completion and are fully funded from available resources, the risk remains that significant cost overruns may arise or that a lack of tenant demand may be experienced. Weak tenant demand or cost overruns may adversely impact the Charity's financial position and its ability to meet its obligations under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

Impact of a downturn in the housing market on the Charity's financing arrangements

The Charity has loan facilities that include loan to value covenants which require the Group to ensure that the value of the assets it has secured in favour of the relevant lender do not fall below a certain percentage of the amount of the loan currently outstanding. The assets pledged by the Group to lenders are typically housing stock. Should there be a downturn in the housing market, the value of the security pledged to the lenders under such loans may fall, leading to a breach of the loan to value covenants of the relevant loan agreements. Such loan agreements typically contain provisions to enable the Charity to take action to remedy such a breach. The Charity undertakes sensitivity analysis of its business plan on a regular basis to consider the impact of a

reduction in property values due to a downturn in the housing market. The sensitivity analysis most recently carried out by the Charity confirmed that the Group's financial position is currently able to withstand a substantial fall in property market values of up to 40%. However, there can be no assurance that the Group's property assets will maintain sufficient value to ensure compliance with all loan covenants. Any failure to maintain covenant compliance may have an adverse impact on the Charity's financial position and its ability to meet its obligations under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

Changes to the residential property market generally

Various market risks may impact upon the rental market and current or future development of residential properties by the Group. These include: the economic and political environment; higher than foreseen construction costs; the availability of affordable financing; and changes to Government regulation, including, but not limited to, regulation relating to planning, taxation, landlords and tenants and welfare benefits, any of which could have an adverse impact on tenant demand and the condition of the United Kingdom residential property market generally.

Among other things, these market risks may impact upon: the expenses incurred by the Group associated with existing residential properties (including maintenance of those properties); rental income produced by these properties; the value of the Charity's existing investments; the Group's ability to develop further properties; the Group's ability to let properties; and the Group's ability to acquire additional sites. Any of these factors may have an adverse impact upon the Charity's cash flow and its ability to make payments under the Loan Agreement. This would, in turn, have an adverse impact on the Issuer's ability to make payments in respect of the Bonds.

Fall in the value of non-property assets or investment income

At the date of this Prospectus, the Charity's non-property assets consist of cash or near-cash investments (term and notice deposits with banks, building societies and other financial institutions) with a variable rate of interest. The Charity's non-property investment policy is to maintain the capital value of its assets at as low a risk as possible. Therefore the Charity's main non-property asset risk lies in a fall in investment income due to a decline in interest rates or loss of capital due to the financial failure of a counterparty.

The Group's investment income was 12% of the Group's total income for the year ended 31 March 2016, down from 83% for the year ended 31 March 2013, and is forecast to fall further as a percentage of total income as the Group's property portfolio increases. Portfolio management of near-cash financial assets is outsourced to Cazenove Capital Management with £20.8 million under management as at 31 March 2017 and the balance of financial assets are held directly with individual counterparties. The Charity also maintains counterparty limits and credit rating requirements to ensure its investment funds are placed with a range of creditworthy institutions.

Although the Charity implements policies to ensure non-property investment income is maintained and its non-property capital investments are protected, the risk of a fall in investment income and loss of capital due to the financial failure of a counterparty remains. Loss of investment income or loss of capital may adversely affect the Charity's financial position and its ability to meet its obligations under the Loan Agreement. This would, in turn, have an adverse impact on the Issuer's ability to make payments in respect of the Bonds.

A failure in internal operations and systems

Although Dolphin regularly monitors and reviews its systems and procedures, and has prepared business continuity plans in order to mitigate these risks, it is dependent upon its technology in order to deliver business processes. Operational risks may result from major systems failure or breaches in systems security and the consequences of loss of senior staff, constraints on the time and/or availability of senior staff, staff misconduct, theft, fraud, health and safety and environmental issues, reputational risk, natural disaster and acts of terrorism. These events could result in financial loss to the Charity and affect its ability to meet its obligations under the

Loan Agreement. This would, in turn, have an adverse impact on the Issuer's ability to make payments in respect of the Bonds.

Changes in regulation may adversely affect the Charity

At the date of this Prospectus, the Group has 46 homes that are either social housing, affordable rent or regulated tenancies where the rental income is subject to any changes made by central government to the rent regime for social housing. These properties accounted for 7.7% of the Group's total property portfolio by number as at 31 March 2017. The development pipeline at the date of this Prospectus has a further 10 homes for affordable rent, which would increase the proportion of units under social housing regulation to 7.0%.

In July 2015 the Government announced a reduction of 1% for social rents for each of the following four years, which affected 39 of the Group's homes. Future Government policy could impact on the rents the Group can charge on social housing and affordable rental homes from 2020 onwards.

Of the Group's 460 intermediate rental homes (as at 31 March 2017), 164 units were maintained at a sub-market rent on a voluntary basis in that there are no obligations to maintain those properties at sub-market rents. This affords the Group limited flexibility to increase rents on these units, in particular as units fall vacant and become available for re-letting at market rents, to make up for any shortfall created by changes in Government policy. Notwithstanding the ability of the Group to increase rental income on such units, changes in Government policy that entail a further reduction in social rents may result in decreased rental income from properties, which would adversely impact the Charity's cash flow and its ability to meet its obligations under the Loan Agreement. This would, in turn, have an adverse impact on the Issuer's ability to make payments in respect of the Bonds.

Pursuant to the Localism Act 2011, the Homes and Communities Agency acts as the regulator of Registered Providers of Social Housing (such as Dolphin Living Limited "**DLL**") in accordance with the publication entitled "The Regulatory Framework for social housing in England from 2012". The nature and extent of regulation could change in the future and impose restrictions on the activities of the Charity as well as DLL, which may impact the ability of the Charity to diversify and expand its business. This could adversely affect the Charity's long-term business planning and limits its potential to manage and protect its future financial stability and growth.

A failure to comply with applicable laws and compliance requirements

The Charity knows the significance to its operations of, and is focused on, adhering to all legal and compliance legislation. At the date of this Prospectus, the Charity is not aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or failure to comply with corporate, employee or taxation laws. Furthermore, Dolphin has the benefit of insurance, for, among other things, employer's liability, public liability and professional indemnity at a level which the management of the Charity considers to be prudent for the type of business in which the Group is engaged. However, if any breach or failure to comply with relevant laws and regulations were to occur, this could have an adverse impact on the Charity's results of operations, which may adversely impact the Charity's ability to meet its obligations under the Loan Agreement. This would, in turn, impact the Issuer's ability to make payments in respect of the Bonds.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE BONDS

Risks relating to the particular structure and nature of the Bonds

In certain circumstances, repayment of the Bonds may be deferred to a later date, and such deferral will not constitute a default under the terms of the Bonds provided the Bonds are repaid no later than 6 July 2028 (the “Legal Maturity Date”)

The Loan Agreement will provide for repayment of the loan by the Charity on 6 July 2026 (the “**Expected Maturity Date**”). However, the terms of the Bonds provide that, if the Charity is unable to repay the loan in full on the Expected Maturity Date, the principal amount of the Bonds corresponding to the unpaid amount of the loan will not become due and payable on the Expected Maturity Date and will be deferred. Such deferral will not constitute an event of default under the Bonds. If the Charity fails to repay the loan on the Expected Maturity Date and repayment is deferred until the Legal Maturity Date (as defined below), under the terms of the loan the Charity will be required to make additional interest payments at the rate of 1.00 per cent. per annum. This means that the interest payments on the Bonds from 6 July 2026 will also increase by 1.00 per cent. per annum. In such circumstances, the deferred amounts of principal in respect of the Bonds will be paid to the holders of the Bonds on 6 July 2028 (the “**Legal Maturity Date**”).

Accordingly, investors in the Bonds may not be repaid their investment on the Expected Maturity Date, and will not be entitled to take action to enforce the Bonds unless the full principal amount outstanding on the Bonds has not been repaid by the Legal Maturity Date.

The Bonds are not protected by the Financial Services Compensation Scheme

The FSCS is the UK statutory compensation fund of last resort for customers of authorised financial services firms. In the event of the failure of a bank or certain other institutions, the customers of the relevant institution may be able to obtain compensation from the FSCS for certain of their losses. For example, deposits in a bank account are protected by the FSCS up to certain limits.

However, unlike a bank deposit, the Bonds are not protected by the FSCS. If the Issuer is unable to pay any amounts in respect of the Bonds, investors will have no recourse to the FSCS for compensation or any other amounts. If the Issuer or the Charity go out of business or become insolvent, investors may lose all or part of their investment in the Bonds.

Investors in the Bonds will have limited recourse to the assets of the Issuer in the event that it fails to make any payments on the Bonds and, further, the rights of enforcement for investors are limited, including that there are restrictions on the ability of investors to petition for bankruptcy of the Issuer

The Bonds are limited recourse obligations of the Issuer and are payable solely from the proceeds of the charged assets. The charged assets are, in general terms, the Issuer’s rights under the Loan Agreement and certain related rights under the Issuance Facility Documents (the “**Charged Assets**”).

If the Charity fails to make payments under the Loan Agreement and following the occurrence of an event of default under the Bonds, the Trustee (acting on the instructions of the Bondholders) takes action against the Charity to enforce the Loan Agreement, then any amounts received by the Issuer in respect of the Charged Assets would be available for the Trustee and other priority-ranking parties under the established issuance facility, as well as (if sufficient monies are received) for making payments in respect of the Bonds. However, if payments on the Charged Assets are insufficient to enable the Issuer to make payments to such secured parties and to make full payment in respect of the Bonds, no other assets of the Issuer will be available for payment of any shortfall to the Bondholders. If such a shortfall remains following enforcement and/or realisation of the Charged Assets, no further amounts will be payable to Bondholders and no debt shall be owed by the Issuer in respect of any such shortfall.

Investors should note that pursuant to the Loan Agreement the Charity is required to pay to the Issuer amounts representing the arrangement fee pursuant to the Loan Agreement. Such amounts in respect of the arrangement fee are required to be paid in order of priority ahead of the payment of amounts of interest and principal due on the Loan. In the event insufficient amounts are available in order to pay such amounts, the Servicer is entitled to apply amounts that would have otherwise been available for payments of principal and interest on the Bonds towards the payment of such amounts which may lead to a shortfall of payments of principal or interest on the Bonds leading to losses on the Bonds. Investors are referred to Condition 6.1 in this regard.

None of the Bondholders or the other secured parties shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, examination, arrangement, insolvency or liquidation proceedings or other proceedings under any applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the issuance of the Bonds, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer in relation thereto and provided that the Trustee may enforce the security over the Charged Assets and appoint a receiver in accordance with the provisions of the Trust Deed.

Bondholders will have no direct recourse to the Charity in the event that the Charity fails to make payments under the Loan Agreement

The Issuer will assign by way of security its rights, title and interest in the Loan Agreement in favour of the Trustee for the benefit of the Bondholders (and certain other secured parties under the established issuance facility), and the Trustee may enforce the security over the Charged Assets including taking action against the Charity on behalf of the Bondholders. However, the Bondholders will not have any direct recourse against the Charity in respect of any failure by the Charity to make payments under the Loan Agreement.

As a function of the logistical challenges in organising a large number of disparate investors, the terms and conditions of the Bonds provide that the Trustee will not be bound to take any such enforcement action unless it has been indemnified and/or secured and/or pre-funded to its satisfaction. It may not be possible for Bondholders to arrange for the Trustee to be so indemnified or secured or pre-funded, which may result in a delay or failure by the Trustee to take enforcement action and Bondholders may incur losses on the Bonds.

The Servicer is under no obligation to take enforcement action in relation to the Loan Agreement

The Servicer does not have any duties in relation to taking enforcement action or seeking to make recoveries under the Loan Agreement. In the event that the Charity has defaulted under the Loan Agreement giving rise to the occurrence of an event of default in respect of the Bonds, the Trustee (subject to it being indemnified, secured and/or pre-funded to its satisfaction and acting on the instructions of Bondholders in accordance with the Trust Deed and the conditions of the Bonds) shall be responsible for accelerating the Loan Agreement and taking action against the Charity to enforce the Issuer's rights under the Loan Agreement (including, without limitation, the appointment of a receiver in respect of the Loan Agreement). Investors should note that the Issuer is not responsible for and will not itself enforce the terms of, or seek to make recoveries under, the Loan Agreement.

The Bonds pay a fixed rate of interest, and the value of the Bonds may therefore be affected by changes in prevailing interest rates in the market

The Bonds bear interest at a fixed rate. Investors should note that, if interest rates available in the market generally start to rise, then the income to be paid by the Bonds might become less attractive and the price the investors get if they sell such Bonds could fall. However, the market price of the Bonds has no effect on the interest amounts due on the Bonds or what investors will be due to be repaid at maturity of the Bonds if the Bonds are held by the investors until maturity. Investors should also note that inflation will reduce the real value of the Bonds over time, which may affect what investors can buy with their investments in the future and which may make the fixed interest rate on the Bonds less attractive in the future.

Neither the Bonds nor the Loan Agreement contains a gross-up provision requiring the Issuer or the Charity to pay any additional amounts to Bondholders or, in the case of the Loan Agreement, the Issuer, to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Loan Agreement or the Bonds

The Issuer will not be obliged to pay any additional amounts to Bondholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds by the Issuer or The Bank of New York Mellon, London Branch (the “**Paying Agent**”). Neither will the Charity be obliged to pay any additional amounts to the Issuer to reimburse the Issuer for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Loan by the Charity. However, in such circumstances, the Charity will be required to take such reasonable steps to ensure that the gross amount of all payments due in respect of the Loan is paid to the Issuer (in its capacity as Lender under the Loan Agreement). In the event of a withholding or deduction for or on account of tax in respect of payments due on the loan by the Charity resulting in a shortfall in the amounts available to the Issuer to satisfy amounts of interest due on the Bonds, an amount equal to such shortfall will be deferred in accordance with Condition 8.5. Furthermore, unless the Issuer is able to recover in full any amounts so withheld or deducted by way of a refund from the relevant tax authority, the Issuer is unlikely to have sufficient funds available to satisfy any such deferred amounts in full.

Accordingly, in the event of a change of tax law, there may be an adverse effect on the amount of principal or interest receivable by Bondholders under the terms of the Bonds.

The provisions of the Bonds provide for modification of the terms of the Bonds and the waiver of certain rights, in certain circumstances without the consent of the Bondholders

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders and without regard to the interests of particular Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, or (ii) determine without the consent of the Bondholders that any event of default shall not be treated as such where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders to do so or may agree without Bondholder consent to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

The Issuer expects to benefit from specific UK tax treatment given the specific nature of the transactions it conducts. However, if the Issuer does not benefit, or ceases to benefit, from such tax treatment, the Issuer’s ability to make payments in full on the Bonds may be adversely affected

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as set out in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended) (the “**Securitisation Regulations**”)), and as such should be taxed only on the amount of its “retained profit” (as that term is defined in the Securitisation Regulations), for so long as it satisfies the conditions of the Securitisation Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Regulations (or subsequently ceases to satisfy those conditions), then the Issuer could be subject to additional tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus which could adversely affect its ability to make payments on the Bonds and may result in investors receiving less interest and/or principal than expected.

In addition, even if the Issuer does satisfy the conditions to be taxed in accordance with the Securitisation Regulations, in certain limited circumstances taxes which are due from but remain unpaid by persons connected with the Issuer for certain tax purposes (such as Holdings, persons who control Holdings, and persons controlled

by any of them) may become payable by the Issuer, which could adversely affect its ability to make payments on the Bonds and may result in investors receiving less interest and/or principal than expected.

Withholding tax on the Bonds

Provided that the Bonds are and continue to be “listed on a recognised stock exchange” (within the meaning of section 1005 of the Income Tax Act 2007), as at the date of this Prospectus no withholding or deduction for or on account of United Kingdom income tax will be required on payments of interest on the Bonds. However, there can be no assurance that the law in this area will not change during the life of the bonds and pursuant to Condition 11 (“*Taxation*”) of Appendix B (“*Terms and Conditions of the Bonds*”) the Issuer shall withhold or deduct from any such payments any amounts on account of tax where so required by applicable law. Neither the Issuer nor any other person is required to make any “gross up” payments or otherwise compensate the Bondholders in respect of any withholding tax applied in respect of payments on the Bonds.

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Bonds is discussed further under “*United Kingdom Taxation*” below.

Change of law

The conditions of the Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus, and any such change could materially adversely impact the value of any Bonds affected by it.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Bonds do not have an established trading market when issued, and one may never develop. Whilst the Issuer has made an application for the Bonds to be admitted to the London Stock Exchange’s electronic Order book for Retail Bonds (the “**ORB**”) and one or more market makers on the ORB will be appointed in respect of the Bonds, there can be no guarantee that a significant market in the Bonds will develop. If a market for the Bonds does develop, it may not be very liquid. Further, whilst the market maker(s) in respect of the Bonds will be required to quote buy and sell prices during normal business hours, there is no restriction on the prices which they can quote. If the secondary market in the Bonds is not liquid, the prices quoted may be unfavourable to investors, and the prices quoted over time may be volatile. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. There is no guarantee of what the market price for selling or buying the Bonds will be at any time. Any actual or perceived weaknesses in the creditworthiness of the Issuer or the Charity, the absence of a liquid market in the Bonds and prevailing market conditions generally can all affect the market price of the Bonds and, accordingly, if an investor in the Bonds elects or is required to sell its Bonds in the market, it may achieve a price for its Bonds which is significantly lower than the price it paid for them.

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Bonds in sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to sterling would decrease (1) the

Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds, and (3) the Investor's Currency-equivalent market value of the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Bonds. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Risks relating to holding interests in the Bonds through CREST Depository Interests

You may hold the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**"). CREST allows bondholders to hold bonds in a dematerialised form, rather than holding physical bonds. Instead of issuing physical bonds, CREST issues what are known as depository interests which are held and transferred through CREST ("**CDIs**"), representing the interests in the relevant Bonds underlying the CDIs (the "**Underlying Bonds**"). Holders of CDIs (the "**CDI Holders**") will not be the legal owners of the Underlying Bonds. The rights of CDI Holders to the Underlying Bonds are represented by the relevant entitlements against CREST Depository Limited (the "**CREST Depository**") through which CREST International Nominees Limited holds interests in the Underlying Bonds. Accordingly, rights under the Underlying Bonds cannot be enforced by CDI Holders directly against the Issuer; instead they must be enforced through CREST. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Bonds in the event of any insolvency or liquidation of CREST, in particular where the Underlying Bonds held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of CREST.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer, including the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**"). You should note that the provisions of the CREST Deed Poll, the CREST International Manual dated 14 April 2008, as amended, modified, varied or supplemented from time to time (the "**CREST Manual**"), and the CREST Rules contained in the CREST Manual applicable to the CREST International Settlement Links Service contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of and returns received by CDI Holders may differ from those of holders of Bonds which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service (the "**CREST International Settlement Links Service**"). These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Bonds through the CREST International Settlement Links Service.

You should note that none of the Issuer, the Charity, Peel Hunt LLP (the "**Manager**"), the Trustee or the Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

3

DESCRIPTION OF THE CHARITY

This section sets out information about the Charity.

DESCRIPTION OF THE CHARITY

Incorporation and Regulatory

The Dolphin Square Charitable Foundation (the “**Charity**”) was first registered on 17 June 2005. It is an unincorporated trust and a registered charity in England and Wales (No. 1110090). The Charity is regulated by the Charity Commission. As a result of its charitable status, the Charity must comply with the Charities Act 2011. The Charity is operated on a not-for-profit basis so all funds available are invested back into its operations. Dolphin Square Charitable Trustee (the “**Dolphin Trustee**”) is the sole trustee of the Charity. The Dolphin Trustee is a private company limited by guarantee without share capital (Company No. 05442737). The registered address of the Charity and the Dolphin Trustee is 4th Floor, 11 Belgrave Road, London SW1V 1RB.

The Dolphin Trustee holds the shares of four subsidiaries on behalf of the Charity:

- DSF Developments Limited was incorporated on 11 December 2012 (Company No. 08327131) and is the Charity’s development subsidiary.
- Dolphin Living Limited (“**DLL**”) was incorporated as an industrial and provident society on 25 July 2014 (Company No. 32446R) and is the Group’s registered provider for the provision of social and affordable rental housing. DLL is regulated by the Homes and Communities Agency (the “**HCA**”) which monitors its governance, financial viability and the quality of service provided and has extensive powers to intervene in its affairs.
- Hoxton Regeneration Limited (“**HRL**”) (Company No. 00597445) is the owner of the New Era Estate, Hoxton and was acquired by the Charity in December 2014.
- Hoxton Holdco Limited (Company No. 114787) is a dormant holding company registered in Jersey which owns the Charity’s shares in HRL.

The accounts of the Charity, DSF Developments Limited, DLL, Hoxton Holdco Limited and HRL (together, “**Dolphin**” or the “**Group**”) are consolidated into the Group’s financial statements.

Background and History

The Charity was founded in June 2005 and has been funded by a total of around £125 million that was gifted to it from the proceeds of the sale of leasehold interests in the Dolphin Square mansion block in Pimlico by Westminster City Council and Dolphin Square Trust.

The Charity is a housing charity that seeks to provide well-designed, good quality housing for people on modest incomes who live or work in the City of Westminster and surrounding boroughs. The Charity works closely with Westminster City Council in both determining the needs of those living and working in Westminster and planning to help meet those needs.

The first five years of the Charity’s existence saw its public benefit works focused on grant making activity for a range of community-based projects with the aim of alleviating the affordable housing shortage.

From 2010, the Charity accelerated its plans for building its own portfolio in order to directly address the need for more affordable housing stock, resulting in a significant growth in completed homes from 2013. As at 31 March 2013, the Charity had 16 completed homes. As at 31 March 2017, Dolphin had 600 completed homes and 196 under development.

Business Description and Principal Activities

Dolphin provides homes to rent at market and sub-market rents. Sub-market rent housing is provided at intermediate, affordable and social rents. Intermediate rents are capped at 80% of the market rent. Affordable rents are also capped at 80% of market rent and take into account local housing needs. Social rents are based on a target rent using a formula set by Government. Dolphin also has a small number of homes (7) let under regulated tenancies where rents are set by a local rent officer. Eligibility for homes at sub-market rents varies by scheme but, generally, prospective tenants must have an annual household income of no more than £90,000 and be unable to access a suitable home on the open market. Dolphin operates in inner London and generally all its properties must be within 30 minutes' travel time of the City of Westminster.

Dolphin manages 600 homes, has a target for 1,000 homes by 2020, and employs 14 staff at its office in Westminster.

Dolphin has five main functional activities:

- It is a landlord of homes predominantly for working Londoners. As at 31 March 2017, Dolphin managed 94 market rent homes, 460 intermediate rent homes and 46 regulated, affordable and social rent homes with an aggregate cost of £160 million. This function is controlled by Dolphin's internal team with day to day management outsourced to Touchstone CPS ("**Touchstone**"). Touchstone's responsibilities include first line contact with tenants, rent collection, maintenance management and compliance management.
- It is the owner of a small number of commercial units for rent which are part of its housing schemes and which contributed around £61,000 to the Group's rental income in the year ended 31 March 2017.
- It is a developer of new homes for rent. As at 31 March 2017, 196 homes were under development with an aggregate total development cost of £86 million.
- It is a manager of its financial assets. As at 31 March 2017, the Charity's financial assets included £53.4 million of cash or near-cash financial assets. Portfolio management of near-cash financial assets is outsourced to Cazenove Capital Management with £20.8 million under management as at 31 March 2017. Cash and near-cash financial assets are held pending reinvestment in housing.
- The Charity is a provider of grants to other housing organisations and participates in other methods of addressing the housing shortage facing London. During its financial year ending 31 March 2017, the Charity provided grants totalling £10,000. Dolphin also launched the Westminster Homeownership Accelerator, a scheme to assist people into homeownership by providing enhanced deposits.

The Group has a long term financial plan which currently extends to 31 March 2025 and has been approved by the Charity's board.

Based on Dolphin's historical financial performance and long term financial plan, the Charity believes it has a resilient and proven business model.

Revenue, Products and Services

Dolphin's income is mostly generated by the provision of housing for rent. The provision of housing for rent at intermediate rents is the largest proportion of the Group's income.

Revenue Breakdown for the year ended 31 March 2017 (unaudited statutory accounts):

Income Source	£'000
Intermediate Rental Income	4,581
Market Rental Income	525
Social/Affordable Rental Income	160
Commercial Rental Income	61
Investment Income	235
Total Income	5,563

During the year ended 31 March 2017, the Charity received a grant from Westminster City Council of £12.5 million to support the Westminster Home Ownership Accelerator Scheme (“**WHOA**”). In accordance with FRS 102 and the Charity SORP (each as defined below), this will be reflected as restricted income in the financial statements for the year ended 31 March 2017.

Products and Services

Dolphin provides sub-market rental housing in inner London predominantly for working Londoners, homes for rent at market rent and a owns a small number of commercial units which are part of its housing developments. Dolphin provides sub-market rental housing of two different types:

- Intermediate housing is the provision of homes for rent at a cost that is above social rent but below market rent. Dolphin’s average intermediate rent across the portfolio is 53% of market rent. The rental level for the Group’s intermediate housing is set either by Dolphin or by the terms of the relevant planning approval of the scheme. Further details on intermediate rents charged is set out below:

	Weekly rent	Minimum required gross household income
	£	£
Lowest	147	23,400
Average	240	36,600
Highest	411	69,200

- Social housing, provided by DLL, for which guideline target rents are determined through the national rent regime, and affordable rental housing, also provided by DLL, with rents set by the local authority with reference to local housing need.

Dolphin lets the majority of its homes for rent on assured shorthold tenancies (“**AST**”) for three-year initial tenancies. At the end of the tenancy, Dolphin expects to renew the agreement provided the tenant continues to meet the eligibility criteria and there have been no breaches of the tenancy clauses.

The eligibility criteria for Dolphin’s sub-market rental homes generally require the tenant to:

- have an annual household income of no more than £90,000;

- be unable to afford to buy or rent a suitable home on the open market; and
- meet Dolphin’s affordability criteria of rental payments (being no greater than 40% of net household income without reliance on housing benefit).

Tenants who become eligible for housing benefit during their tenancy are permitted to remain in occupation, as are tenants in acquired stock who are already eligible for housing benefit.

The Charity has developed the WHOA with support from the City of Westminster. The scheme provides a home for a period of three years at a sub-market rent. At the end of the tenancy the tenant is supported into home ownership through a grant that increases their deposit for the purchase of a property.

The Charity provides discretionary grants to charities that have similar objectives in providing homes to people unable to afford them such as homeless individuals and people with learning disabilities.

Financial Summary

The Group has consistently generated a cash surplus after interest generated by grants and donations received, rental income, investment and trading income and profit on the sale of land and buildings. The Group had consolidated retained reserves of £149 million as at 31 March 2016.

The report and financial statements for the years ended 31 March 2016, 31 March 2015, 31 March 2014, 31 March 2013 and 31 March 2012 are appended to this Prospectus as Appendix E. A summary of the Group’s historical income and expenditure account and balance sheet, which has been extracted without material adjustment from the relevant consolidated financial statements of the Group, is set out below.

The financial statements in Appendix E comply with FRS102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) (“**FRS 102**”) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (the “**Charity SORP**”).

Consolidated Income & Expenditure Account

Year Ended 31 March	2012	2013	2014	2015	2016
	£’000	£’000	£’000	£’000	£’000
Rental Income	119	282	615	1,366	2,623
Deed of Gift	5,000	300	28,750	619	-
Investment income	2,658	2,784	2,423	905	405
Other income	-	-	-	8,020	230
Operating Costs	1,007	1,454	1,488	1,852	2,406
Depreciation and amortisation	11	16	32	212	459

Operating Surplus	6,759	1,896	30,268	8,846	393
Realised and unrealised losses on investments	1,199	541	308	341	125
Interest Payable	-	-	-	-	100
Net Income	5,560	1,355	29,960	8,505	168

Consolidated Balance Sheet

Year Ended 31 March	2012	2013	2014	2015	2016
	£'000	£'000	£'000	£'000	£'000
Fixed Assets					
Goodwill				346	273
Freehold & Leasehold buildings	3,642	6,186	21,584	45,785	83,812
Land & Buildings Under Development	24,416	32,595	30,689	46,368	38,838
Investments	67,553	49,814	54,234	28,861	62,589
Other Fixed Assets	14	91	81	54	36
Total Fixed Assets	95,625	88,686	106,588	121,414	185,548
Current Assets					
Debtors & Prepayments	1,245	787	354	1,028	2,310
Cash at Bank	12,505	21,263	34,445	29,447	22,033
Total Current Assets	13,750	22,050	34,799	30,475	24,343

Creditors: Amounts falling due within 1 year	382	388	1,078	3,076	3,504
Net Current Assets	13,368	21,662	33,721	27,399	20,839
Total Assets less Current Liabilities	108,993	110,348	140,309	148,813	206,387
Creditors: Amounts falling due after more than 1 year	-	-	-	-	57,406
Net Assets	108,993	110,348	140,309	148,813	148,981
Unrestricted Funds	108,993	110,348	140,309	148,813	148,981

Property Portfolio

The Group's property portfolio is entirely located in London. An overview of Dolphin's completed properties is in the table below. All the properties are located close to public transport links.

Property	Date acquired or completed	Description of property	Intermediate homes	Social homes	Market rent homes	Total housing homes	Commercial units	Total no. of units	Property post code
One Church Square, Pimlico	2013	DSF built property	31	0	8	39	0	39	SW1V 2TA
New Era Estate, Hoxton	2014	Acquired built stock	89	7	0	96	12	108	N1 5QE
Lanhill Road, Maida Vale	2016	DSF built property	12	0	4	16	0	16	W9 2ED

2 Kennington Lane, Lambeth	2016	DSF built property	65	2	6	73	1	74	SE11 4FA
7 Thorney Street, Westminster	2015	Affordable housing element of Berkeley Homes scheme	30	37	0	67	0	67	SW1P 4FG
Mount Close, Ealing	2016	Acquired built stock	40	0	0	40	0	40	W5 2RQ
Grove Court, Ealing	2016	Acquired built stock	12	0	0	12	0	12	W5 3SJ
Havelock House and The Hermitage, Forest Hill	2016	Acquired built stock	23	0	0	23	0	23	SE23 3SA
Butterfields Estate, Walthamstow	2016	Acquired built stock	0	0	50	50	0	50	E17 9JD
Scattered stock, Westminster	2012 - 2016	Acquired built stock	0	0	26	26	0	26	Various
Dibdin House, Maida Vale	2015	Acquired built stock	16	0	0	16	0	16	W9 1QE
2 Wollstonecraft Street, Kings Cross	2015	Affordable housing element of Argent scheme	77	0	0	77	0	77	N1C 4BT
2 Hopkins Street, Soho	2015	Affordable housing element of Barratt Homes scheme	65	0	0	65	0	65	W1F 0DP
Totals			460	46	94	600	13	613	

As at 31 March 2016, the Charity's completed property portfolio was recorded in the annual financial statements with a historic cost of £84.3 million.

The Charity has four properties under construction as at the date of this Prospectus that are summarised in the table below.

Property	Date to be Acquired or Completed	Intermediate homes	Social homes	Market Rent homes	Total Housing homes	Commercial Units	Total No. of Units
Gorleston Street, Hammersmith	June 2017	12	0	17	29	0	29
Westbourne Park Baptist Church, Royal Oak	June 2018	32	0	0	32	0	32
Lanark Road, Maida Vale	June 2019	34	10	23*	67	0	67
Zone 2	January 2019	34	0	34	68	0	68
Totals		112	10	73	196	0	196

*6 homes are market sale

Key Performance Indicators

Set out below is an overview of certain of the Group's key performance indicators as at 31 March 2017:

Key Performance Indicator	Level Achieved	External Benchmark
Average re-let time in days (standard re-lets)	17 days	Within G15 top quartile*
Average period to first let of new build homes	33 days	No external benchmark
Average number of calendar days taken to complete repairs	9 days	Within G15 top quartile*
Rent arrears as a percentage of rent due	1.8%	Within G15 top quartile*

* HouseMark G15 Core Benchmarking Schedules 2015/2016

The table above contains certain data and metrics which the Charity considers constitute Alternative Performance Measures (“APMs”) as defined in the European Securities and Markets Authority Guidelines on APMs. A definition, explanation and rationale for inclusion of the following APMs have been included in order to assist investors in understanding the relevant key performance indicators.

Metric	Definition	Reconciliations (where relevant)	Rationale for inclusion
Rent arrears as a percentage of rent due	A measure to express the level of rent arrears as a percentage of total rent due	None*	Provides a measure of potential losses of rental income due to non-payment by tenants

* This measure is calculated by the Charity on a basis that is consistent with the accounting policies applied by the Group in its financial statements prepared in accordance with FRS 102 and the Charity SORP.

Set out below are comparative figures for rent arrears as a percentage of rent due as at 31 March 2015 and 31 March 2016:

As at 31 March	Rent arrears as a percentage of rent due (%)
2015	2.24
2016	1.41

Prior to 31 March 2015, the Charity did not have material rent arrears.

Board of the Dolphin Trustee

The Dolphin Trustee is the sole trustee of the Charity. The members of the board of the Dolphin Trustee (the “**Board**”), which governs the Charity, are named below (all of whom are non-executive) and their principal activities outside the Charity, where they are significant to the Charity, are as follows:

Name	Current Employment	Relevant Outside Activities
Simon Dow <i>Chairman</i>	Executive Chairman of the London Housing Foundation	Member of the HCA’s Regulation Committee
Bruce Clitherow	Director of Estates for the Children’s Society	None
Andrew Giblin	Director of Dorrington	None
Phil Jenkins	Asset Development & Property Director at CityWest Homes Limited	None
David Lavarack	Executive Director of Corporate Services at Peabody Housing Association	None

Trevor Moross	Joint Managing Director of Dorrington	Director of London & Quadrant Housing Trust
Sarah Philbrick	Retired	None
Tristan Samuels	Head of Development for Westminster City Council	None
Jane Staveley	Senior Counsel at Ashurst LLP	None
Peter Williams	Retired	Director of Bridges Ventures

DLL has a separate board, the members of which are as follows:

Name	Current Employment	Relevant Outside Activities
Richard Petty <i>Chairman</i>	Lead Director of Affordable Housing at Jones Lang LaSalle	Non-executive Director of Anchor Group
Bruce Clitherow*	Director of Estates for the Children's Society	
Fenella Edge	Group Treasurer and Director of The Housing Finance Corporation	
David Lavarack*	Executive Director of Corporate Services at Peabody Housing Association	

* Dolphin nominee

The business address of each of the members of the Board and the members of the board of DLL is 4th Floor, 11 Belgrave Road, London SW1V 1RB.

The Charity's trust deed dated 11 May 2005 (the "**Charity Deed**") recognises the potential for conflicts of interest to occur between some duties of some members of the Board and their private interests and/or other duties. The Charity Deed regulates how these are managed at Board meetings, including disclosure of the conflict of interest and appropriate action to manage the conflict.

Bruce Clitherow was a trustee of the Dolphin Square Trust (liquidated) which gifted funds to the Charity. In March 2017, he was appointed as a director of Dolphin Square 2005 Limited, a company that, since May 2015, has provided a £5 million unsecured loan facility to the Charity. Bruce did not participate in the loan negotiations.

Phil Jenkins is a director of City West Homes, a provider of housing management services in Westminster. City West Homes leases parking spaces to the Charity and operates service charges, on behalf of Westminster City Council, on estates where the Charity owns property. From time to time, City West Homes also provides other property management services to the Group. Phil is not directly involved at City West Homes in the services provided to the Group.

Tristan Samuels is Head of Development at Westminster City Council. The Charity has a joint venture with Westminster City Council, has submitted several planning applications to Westminster City Council planning department and has received grants from Westminster City Council. Tristan does not participate in deciding on and negotiating the terms and conditions of current transactions between the Charity and Westminster City Council.

Trevor Moross is a member of the London & Quadrant Housing Trust Group Board and David Lavarack is an Executive Director at Peabody. There are currently no actual or contemplated transactions between the Charity and London & Quadrant or Peabody.

Richard Petty, a director of DLL, is an Executive Director at JLL. JLL is a financial and professional services firm specialising in real estate services and investment management, including affordable housing. JLL has provided valuation services to a lender in respect of assets of the Charity. Richard did not participate in deciding on and negotiating the terms and conditions of these services.

Corporate Governance and Committees

The Charity is governed by the Board. Westminster City Council, Dolphin Square 2005 Limited (following the winding up of Dolphin Square Trust) and City West Homes each nominates a member of the Board, with the remainder appointed by the Board on the basis of their relevant experience.

The Board meets every other month to set the strategies and policies of the Group and to monitor operational activity and financial performance. The Board works through a number of sub-committees covering areas of specialised interests. Membership of these sub-committees is primarily comprised of members of the Board and a small number of directors of the Charity's subsidiaries. The three sub-committees supporting the Board and governance arrangements are:

The Acquisition & Finance Committee: meets every other month and oversees the acquisition of property assets and borrowing by the Charity. It is also responsible for treasury policy, monitoring cash flow and reviewing future operating cash requirements. The investment strategy for non-property assets is also reviewed by this sub-committee.

The Audit & Risk Committee: meets three times per year to review audit planning, audit finalisation and the risk register. It oversees the statutory financial reporting and auditing process and reviews the effectiveness of the Charity's risk management and internal control systems and procedures.

The Remuneration Committee: meets as required and makes recommendations to the Board regarding the remuneration of key management personnel.

Internal Control Systems

The Board is responsible for safeguarding the assets of the Charity and for ensuring full compliance with regulatory requirements and best practice, including compliance with the Charities Act 2011, and reporting and data protection legislation. As a registered provider of affordable housing, DLL must also comply with HCA regulation and the responsibility for ensuring compliance with HCA requirements rests with the board of directors of DLL. Where appropriate, the Charity adopts the same requirements.

Key risks are reviewed by the full board at least annually along with the performance of the operating and financial controls that are implemented to mitigate risk. A detailed risk register is maintained by the management team and a strategic risk register is prepared for regular review by the Audit & Risk sub-committee and annual review by the Board.

The key internal controls to manage current risks are as follows:

Approval of acquisitions and development expenditure controls: Appraisals for new projects with an acquisition cost or total development cost of £10 million or less are presented to the Acquisition and Finance Committee for approval. Any project with an acquisition cost or total development costs over £10 million is presented to the full board for approval. Developments are contracted on a fixed price design and build basis supported by detailed specifications. Progress is monitored by a monthly design team meeting. Any changes to the specification or variances that have a financial impact in excess of the approved budget must be approved by the Acquisitions and Finance Committee.

Information and reporting systems: The progress of all projects is reported to the Acquisition and Financing Committee. Any material changes to the project are reported for approval to proceed. Management accounts are presented to each Board meeting.

Monitoring arrangements: All property development projects are monitored by an external quantity surveyor representing the Charity's interests (the "**Employer's Agent**"). Payments made under a construction contract are made following a valuation of the works by the Employer's Agent. Crowe Clark Whitehill LLP (the Charity's auditors) undertake an annual audit of the Charity's financial statements together with a review of the Charity's control systems.

Executive Management Team

Day-to-day performance management is delegated to the Executive Team. The Executive Team comprises the following members.

Olivia Harris – Chief Executive

Olivia was appointed to the Chief Executive role in April 2017. Olivia had been Finance Director at Dolphin since 2012, providing financial and commercial oversight on a wide range of property and related projects, including debt and fund raising. Olivia is a Chartered Accountant and has worked for more than 15 years in the property industry.

Alex Glenister – Head of Acquisitions and New Business

Alex is a Chartered Surveyor with over 10 years' experience in the residential development sector, working in both development consultancy and for affordable housing providers.

Mark Kent – Head of Asset Management

Mark has worked in the housing sector for 13 years and has experience managing complex regeneration projects and improving performance in housing management services. Mark previously led the start-up and management of the affordable housing at East Village London, formerly the London 2012 Athletes' Village.

Peter Kling – Finance Manager

Peter is a CIMA qualified accountant with a bachelor's degree in business and commerce. Peter has eight years' experience across a variety of industries.

Sam While – Head of Project Management

Sam is a qualified architect with over eight years' experience within the construction industry. Sam's particular expertise lies in project management, and he is responsible for managing the delivery of the Charity's developments.

Octavia Williams – Head of Corporate Services

Octavia joined the Charity in March 2017 and has responsibility for governance, compliance, risk management, and organisational project management. Octavia's previous role was at the National Housing Federation as member engagement and relations manager.

There are no potential conflicts of interest between any duties of the Group's executive management team and their private interests and/or other duties.

Share Capital and Major Shareholders

The Charity has no shareholders and the shares of the Charity's subsidiaries are held by the Dolphin Trustee on behalf of the Charity.

Recent Developments

There have been no recent events particular to the Group that are, to a material extent, relevant to the evaluation of the Charity's solvency.

4

INFORMATION ABOUT THE BONDS

This following section summarises the key features of the Bonds.

The full terms and conditions of the Bonds are contained in Appendix B (“*Terms and Conditions of the Bonds*”). It is important that you read the entirety of this Prospectus, including the Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should seek advice from your financial adviser or other professional adviser before deciding to invest.

INFORMATION ABOUT THE BONDS

		Refer to
What is a bond?	<p>A bond is a form of borrowing by a company seeking to raise funds from investors. The company that issues a bond promises to pay interest to each investor in the relevant bond periodically until the date when the relevant bond becomes repayable (usually on the specified maturity date, although a bond may also become repayable early in certain circumstances), at which time the company also promises to repay the amount borrowed.</p> <p>An investor does not have to keep a bond until the date when the bond matures. Unlike a typical bank loan, a bond is a tradable instrument, so can be sold to another investor in the market. The market price of a bond will fluctuate between the start of the bond’s life and when it matures.</p> <p>This Prospectus relates to a proposed issue of The Dolphin Square Charitable Foundation 4.25 per cent. Bonds due 6 July 2026 (including Retained Bonds) issued by Retail Charity Bonds PLC and secured on a loan to the Charity.</p>	N/A
Who is issuing the Bonds?	<p>The Bonds will be issued by the Issuer.</p> <p>The Issuer is an entity which has been established for the purpose of issuing asset-backed securities, which means that it has been incorporated for specific purposes only (i.e. to issue bonds), will not conduct business more generally and has very limited assets. The Issuer will not engage in any activities which are not related to the issue of bonds.</p> <p>The Issuer has been incorporated with a view to making it easier for United Kingdom charities to raise money from investors in the capital markets, without each such charity having to issue bonds directly. Instead, the Issuer may issue bonds from time to time, and lend the proceeds of such issue to a charity. Payments of interest and principal due on the loan and those due on the bonds will be identical (save that payments of interest and principal under the loan will be required to be paid two business days prior to each interest payment date or redemption date, as the case may be, on the bonds) so that payments of interest and repayment of the loan by the charity will provide the Issuer with funds to make the corresponding payment on the related bonds.</p> <p>The proceeds of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) described in this Prospectus will be loaned to the Charity by way of the Loan on the terms of the Loan Agreement. The Issuer will depend on the Charity to make payments under the Loan Agreement in order for it to be able to make payments on the Bonds. Therefore, investors in the Bonds</p>	<p>Appendix B (“<i>Terms and Conditions of the Bonds</i>”)</p> <p>Section 7 (“<i>Description of Retail Charity Bonds PLC</i>”)</p>

		Refer to
	will be assuming credit risk on the Charity as to which, investors should refer to Section 2 (“ <i>Risk Factors – Factors that may affect the Issuer’s ability to fulfil its obligations under the Bonds - The Issuer’s only material assets corresponding to the Bonds will be its rights under the Loan Agreement and, accordingly, investors in the Bonds will take credit risk on the Charity</i> ”).	
What are Retained Bonds?	<p>When the Bonds are issued by the Issuer, the Issuer will immediately purchase some of the Bonds (the “Retained Bonds”). The aggregate nominal amount of Retained Bonds will be set out in the Issue Size Announcement .</p> <p>The Retained Bonds will be held by The Bank of New York Mellon, London Branch in its capacity as bond custodian in respect of the Retained Bonds (or any successor or replacement custodian thereto) (the “Custodian”) pursuant to a bond custody agreement dated the Issue Date between the Issuer and the Custodian (or such other custody agreement entered into from time to time between the Issuer and the Custodian) in respect of the Retained Bonds (the “Custody Agreement”).</p>	N/A
How will the Issuer deal with the Retained Bonds?	<p>The Issuer may, following agreement with the Charity and the Manager (or, failing agreement with the Manager, any third party), sell or dispose of all or some of the Retained Bonds in the market by private treaty at any time provided that:</p> <p>(i) the relevant Bonds will, following the relevant sale or disposal, be exempt from all United Kingdom stamp duties on transfer and will not be “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005; or</p> <p>(ii) if the Issuer would otherwise be in any material doubt, HM Revenue & Customs has prior to the relevant sale or disposal confirmed to the Issuer in writing that the relevant Bonds will be exempt from all United Kingdom stamp duties on transfer and will not be “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 following the relevant sale or disposal.</p> <p>The proceeds of the Retained Bonds (following a sale or disposal to any third party from time to time) will be loaned to the Charity under the terms of the Loan Agreement.</p> <p>Any Retained Bonds shall, following a sale to any third party from time to time, cease to be Retained Bonds to the extent of and upon such sale or disposal. Bonds which have ceased to be Retained Bonds shall carry the same rights and be subject in all respects to the same conditions as other Bonds.</p>	<p>N/A</p> <p>Appendix D (“<i>Loan Agreement</i>”)</p>
What is the Custody	The Issuer will enter into the Custody Agreement with the Custodian whereby it appoints the Custodian to act as custodian	N/A

		Refer to
Agreement?	and hold the Retained Bonds on its behalf. The Custody Agreement contains customary terms for custody agreements and limited recourse and non-petition language on terms similar to the Terms and Conditions of the Bonds. The Custodian is one of the secured parties under the Trust Deed.	
Why doesn't the Charity issue the Bonds directly?	<p>There are various constraints on the Charity issuing the Bonds directly and also several advantages for both investors and the Charity in the Bonds being issued by Retail Charity Bonds PLC:</p> <p><i>Listing and costs for the Charity:</i> Retail Charity Bonds PLC has been established as a means to enable charities to access the capital markets with reduced transaction costs using a master set of legal documents, including an Issuance Facility Agreement, a Master Trust Deed and an Agency Agreement. The terms of these legal documents contain contractual provisions that can be used to issue further bonds in the future. This has the overall effect of making a capital markets exercise of this nature cost-effective for charities. However, it will be necessary for the Issuer and other charities wishing to use the facility to prepare a new prospectus. Each prospectus is subject to review by the UK Financial Conduct Authority and must be approved on a case-by-case basis.</p> <p><i>ISA and SIPPS:</i> it is a requirement for eligibility for inclusion in a United Kingdom individual saving account or a self-invested pension plan that assets be obligations of a body corporate having issued share capital. The Issuer qualifies for this. The Charity does not.</p>	N/A
Who is the Charity?	The Charity is The Dolphin Square Charitable Foundation, a registered charity in England and Wales (No. 1110090). The Charity's main activities are: (i) the provision of homes for rent predominantly for working Londoners with 94 market rent units, 460 intermediate rent units and 46 social rent units under management as at 31 March 2017; and (ii) the development of new homes for rent, with 196 units under development as at 31 March 2017.	Section 3 ("Description of the Charity")
What are the terms of the Bonds?	<p>The Bonds will be subject to Appendix B ("<i>Terms and Conditions of the Bonds</i>").</p> <p>The Bonds:</p> <ul style="list-style-type: none"> • entitle the Bondholders to receive semi-annual interest payments at a fixed interest rate of 4.25 per cent. per annum, subject to Condition 8; • have a nominal amount of £100 per Bond; • are scheduled to be redeemed on 6 July 2026, although if the Charity fails to repay the Loan on that date, redemption shall be deferred until 6 July 2028 without 	Appendix B (" <i>Terms and Conditions of the Bonds</i> ")

		Refer to
	<p>default. If the Charity fails to repay the Loan on 6 July 2026 and repayment is deferred until 6 July 2028, under the terms of the Loan the rate of interest payable on the Bonds will increase by an additional 1.00 per cent. per annum;</p> <ul style="list-style-type: none"> • will be redeemed at 100 per cent. of their principal amount on 6 July 2026 or, if redemption is deferred, on 6 July 2028; • may be redeemed early if the Charity repays the Loan early and in full, at the Sterling Make-Whole Redemption Amount (as defined below); and • are intended to be admitted to trading on the London Stock Exchange’s regulated market and through ORB. 	
<p>What does it mean that the Bonds are “secured on a loan” to the Charity?</p>	<p>The proceeds of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) will be lent by the Issuer to the Charity on the terms of the Loan Agreement. The Loan Agreement will be in substantially the form set out in Appendix D of this Prospectus. The terms of the Loan and those of the Bonds will be aligned such that payments of interest and repayments of principal are identical (save that payments of interest and repayments of principal under the Loan will be required to be paid two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds, and subject to any withholding for or on account of taxes either on amounts paid under the Loan or under the Bonds), so that payments of interest and principal by the Issuer in respect of the Bonds will be funded by the interest and principal which the Issuer receives from the Charity under the Loan Agreement.</p> <p>The Issuer’s rights in respect of the Loan Agreement from the Charity (and certain related rights) will be charged as security and assigned to the Trustee for the benefit of the Bondholders and certain other secured parties. This means that if the Charity fails to make payments of interest or 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 Agreement against the Charity, and if any amounts are recovered under the Loan they will be available, following payment of certain costs related to enforcement (such as the fees of the Trustee), for payment to the holders of the Bonds. The Loan Agreement contains certain covenants which the Charity must comply with from time to time such as, for example a requirement to ensure that, as at each relevant testing date, the sum of the (i) unencumbered properties, (ii) fixed asset investments, (iii) land and buildings under development, (iv) cash and (v) cash equivalent investments of the Charity’s group are not less than 130% of the</p>	<p>Appendix D (“<i>Loan Agreement</i>”)</p>

		Refer to
	<p>total unsecured debt of the Charity's group, as determined by reference to the financial statements of the Charity's group.</p> <p>Whilst the Issuer's rights in respect of the Loan are secured in the manner described above, the Loan itself is not secured by any asset of the Charity or otherwise.</p> <p>A description of the transaction structure is included below:</p> <div data-bbox="411 600 922 1272" data-label="Diagram"> <pre> graph TD CashFlows[Cash flows] --- Bondholders[BONDHOLDERS] Bondholders <--> Bonds Issuer[RETAIL CHARITY BONDS PLC (Issuer)] Issuer <--> Loan Agreement Charity[THE DOLPHIN SQUARE CHARITABLE FOUNDATION (Charity)] </pre> <p>The diagram illustrates the transaction structure. On the left, a horizontal line labeled 'Cash flows' is connected to a box labeled 'BONDHOLDERS'. A double-headed vertical arrow labeled 'Bonds' connects 'BONDHOLDERS' to a box labeled 'RETAIL CHARITY BONDS PLC (Issuer)'. Another double-headed vertical arrow labeled 'Loan Agreement' connects 'RETAIL CHARITY BONDS PLC (Issuer)' to a box labeled 'THE DOLPHIN SQUARE CHARITABLE FOUNDATION (Charity)'.</p> </div> <p>N.B. the proceeds of any Retained Bonds, once sold to any third party from time to time, will be advanced under the Loan Agreement at that time.</p> <p>Whilst the Issuer may, from time to time, issue other bonds and lend the proceeds of those issues to other charities, the only assets of the Issuer to which investors in the Bonds will have recourse if the Issuer fails to make payments in respect of the Bonds will be the Issuer's rights against the Charity under the Loan Agreement, the related rights under the issue documents in relation to the Loan. The holders of the Bonds will not have recourse to the other assets of the Issuer in connection with the other bond issues.</p>	

		Refer to
Why are the Bonds being issued? What will the proceeds be used for?	The Charity will use the proceeds of the issue of the Bonds in furtherance of its charitable objectives, including but not limited to, the acquisition of further homes for rent, including existing stock and new build homes, the redevelopment of homes already owned by the Group and the development of new homes for rent by the Group.	Section 3 (<i>Description of the Charity</i>)
Will I be able to trade the Bonds?	<p>The Issuer will make an application for the Bonds to be admitted to trading on the London Stock Exchange plc, on its regulated market and through ORB. If this application is accepted, the Bonds are expected to commence trading on or around 7 July 2017.</p> <p>Once admitted to trading, the Bonds may be purchased or sold through a broker. The market price of the Bonds may be higher or lower than their issue price depending on, among other things, the level of supply and demand for the Bonds and movements in interest rates. See Section 2 (<i>Risk Factors – Factors which are material for the purpose of assessing the Market Risks associated with the Bonds – Risks related to the market generally – The secondary market generally</i>).</p>	Section 10 (<i>Additional Information – Listing and admission to trading of the Bonds</i>)
How will interest payments on the Bonds be funded?	Payments of interest by the Issuer in respect of the Bonds will be funded by the interest and principal which the Issuer receives from the Charity under the Loan. Payments of interest and principal due on the Loan and those due on the Bonds will be identical (save that payments of interest and principal under the Loan will be required to be paid two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds, and subject to withholding for or on account of taxes either on amounts paid under the Loan or under the Bonds), and accordingly the Loan has characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds.	Section 7 (<i>Description of Retail Charity Bonds PLC</i>) Section 3 (<i>Description of the Charity</i>) Appendix D (<i>Loan Agreement</i>)
What is the interest rate and can the interest rate change?	The Bonds bear interest from their date of issue at the fixed rate of 4.25 per cent. per annum. The yield of the Bonds is 4.25 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 6 January and 6 July in each year. If repayment of the Loan is deferred until the Legal Maturity Date (as defined below) rather than being made on the Expected Maturity Date, the rate of interest payable on the Bonds will be increased by an additional 1.00 per cent. per annum from and including, the Expected Maturity Date to, but excluding, the Legal Maturity Date (see <i>When will the Bonds be repaid?</i> below).	Condition 8 (<i>Interest</i>) of Appendix B (<i>Terms and Conditions of the Bonds</i>)
When will interest payments be made?	<p>The first payment of interest in relation to the Bonds is due to be made on 6 January 2018.</p> <p>Following the first payment, interest is expected to be paid on 6 January and 6 July in each year up to and including the date the</p>	Condition 8 (<i>Interest</i>) of Appendix B (<i>Terms and Conditions of the Bonds</i>)

		Refer to
	Bonds are repaid.	
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 4.25 per cent. interest per year in respect of the Bonds. Interest will be payable in two semi-annual instalments. Therefore, for each £100 nominal amount of Bonds that you buy on 6 July 2017, for instance, you will receive £2.125 on 6 January 2018 and £2.125 on 6 July 2018, and so on every six months until and including the Expected Maturity Date (unless you sell the Bonds or they are repaid by the Issuer) (as such terms are defined below and see “ <i>When will the Bonds be repaid?</i> ” below). As the amount of interest payable will increase following the Expected Maturity Date, the amount payable thereafter will be re-calculated accordingly.	Condition 8 (“ <i>Interest</i> ”) of Appendix B (“ <i>Terms and Conditions of the Bonds</i> ”)
What is the yield on the Bonds?	On the basis of the issue price of the Bonds of 100 per cent. of their nominal amount, the initial yield (being the interest received from the Bonds expressed as a percentage of their nominal amount) of the Bonds on the Issue Date is 4.25 per cent. per annum until 6 July 2026. This initial yield is not an indication of future yield.	N/A
What will the Bondholders receive in a winding up of the Issuer?	<p>The Issuer has been established for the purpose of issuing asset-backed securities, which means that the risk of its entering into insolvency proceedings is low, even if the Charity fails to make payments on the Loan thereby preventing the Issuer from making payments on the Bonds. If the Issuer does become insolvent, it does not have any other financial or trade creditors which would rank ahead of the Bondholders (other than as contemplated under the Issuance Facility Documents (as defined in Appendix B (“<i>Terms and Conditions of the Bonds</i>”))).</p> <p>There is, however, no assurance that the Issuer’s continued solvency will mean the Issuer can meet its payment and other obligations in respect of the Bonds.</p> <p>If the Charity does not meet its obligations under the Loan Agreement resulting in the occurrence of an event of default under the terms and conditions of the Bonds, the Trustee shall be responsible for accelerating the Loan (which means that it becomes due and payable). The Trustee will be responsible for taking such steps as it in its absolute discretion considers appropriate in an attempt to ensure the payment of the outstanding sum and, if necessary, (acting on the instructions of Bondholders) shall take action against the Charity to enforce the Issuer’s rights under the Loan Agreement (see Diagram no. 2 (<i>Bond Waterfall</i>) below). However, the Trustee will not be bound to take any such enforcement action unless it has been indemnified and/or secured to its satisfaction.</p> <p>The obligations of the Issuer to the Bondholders in respect of the Bonds are limited in recourse to certain Charged Assets (being, in general terms, the Issuer’s rights under the Loan Agreement and</p>	Section 7 (“ <i>Description of Retail Charity Bonds PLC</i> ”)

		Refer to
	<p>certain related rights under the Issuance Facility Documents), which means that the holders of the Bonds will not have recourse to the other assets of the Issuer in connection with the other bond issues of the Issuer (see Diagram no. 1 (<i>Limited Recourse</i>) below).</p> <p>Diagram 1 (<i>Limited Recourse</i>)</p> <pre> graph TD A1[Other charged assets] --> I[ISSUER] A2[Charged Assets in relation to the Bonds] --> I A3[Other charged assets] --> I I --> B1[Other debt securities] I --> B2[Bond Waterfall (see Diagram No.2 below)] I --> B3[Other debt securities] B1 --> BH[Bondholders] B2 --> BH B3 --> BH BH --> ERA[Expense Reserve Account] </pre> <p>* See “<i>Summary of the Servicer</i>” below.</p> <p>Further information is contained in the detailed provisions of Condition 6.2 (“<i>Post-Enforcement</i>”) of Appendix B (“<i>Terms and Conditions of the Bonds</i>”).</p> <p>In a post enforcement scenario, i.e. if the Trustee (acting on the instructions of the Bondholders) takes enforcement action in relation to the Charged Assets, monies received will be used to make payments to the following parties in the order of priority below:</p>	

		Refer to
	<p>Diagram no. 2 (<i>Bond Waterfall</i>)</p> <p>* See “Summary of the Servicer” below.</p> <p>Further information is contained in the detailed provisions of Condition 6.2 (“<i>Post-Enforcement</i>”) of Appendix B (“<i>Terms and Conditions of the Bonds</i>”).</p>	
Will the Bonds be rated by a credit rating agency?	No. Neither the Bonds nor the Issuer is rated by a credit rating agency, and the Issuer does not intend to seek a credit rating for the Bonds.	N/A

		Refer to
When will the Bonds be repaid?	<p>The Bonds are scheduled to be redeemed at 100 per cent. of their nominal amount on Expected Maturity Date. However, if and to the extent that the Charity elects to extend the maturity date of the Loan pursuant to its right to do so under the terms of the Loan, the redemption of the Bonds will be postponed until the Legal Maturity Date.</p> <p>The Bonds may be redeemed early if the Charity repays the Loan early and in full in circumstances in which it is permitted to do so, at the Sterling Make-Whole Redemption Amount.</p> <p>The “Sterling Make-Whole Redemption Amount” is an amount which is calculated to ensure that the redemption price produces a sum that, if reinvested in a reference bond (in this case a UK gilt), would continue to give the Bondholder the same yield on the money that was originally invested as they would have received had the Bonds not been redeemed.</p>	Condition 10 (“ <i>Redemption and Purchase</i> ”) of Appendix B (“ <i>Terms and Conditions of the Bonds</i> ”)
Do the Bonds have voting rights?	Bondholders (other than holders of Retained Bonds) have certain rights to vote at meetings of Bondholders, but are not entitled to vote at any meeting of shareholders of the Issuer.	Condition 17 (“ <i>Meetings of Bondholders, Modification and Waiver</i> ”) of Appendix B (“ <i>Terms and Conditions of the Bonds</i> ”)
Who will represent the interests of the Bondholders?	The Trustee is appointed to act on behalf of the Bondholders as an intermediary between Bondholders and the Issuer throughout the life of the Bonds. The main obligations of the Issuer (such as the obligation to pay and observe the various covenants in the terms and conditions of the Bonds) are owed to the Trustee. These obligations are enforceable by the Trustee only, not the Bondholders themselves. Although the entity chosen to act as the Trustee is chosen and appointed by the Issuer, the Trustee must act in the interests of the Bondholders in accordance with the terms of the Trust Deed.	Appendix B (“ <i>Terms and Conditions of the Bonds</i> ”)
Can the terms and conditions of the Bonds be amended?	<p>The terms and conditions of the Bonds provide that the Trustee may agree to: (a) any modification of any of the provisions of the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error (which is an error that is clear, plain and obvious) or an error which, in the opinion of the Trustee, is proven; (b) waive, modify or authorise a proposed breach by the Issuer of a provision of the Trust Deed or the terms and conditions of the Bonds if, in the opinion of the Trustee, such modification is not prejudicial to the interests of the Bondholders. The Trustee can agree to any such changes without obtaining the consent of any of the Bondholders.</p> <p>Bondholders may also sanction a modification of the terms and</p>	Condition 17 (“ <i>Meetings Of Bondholders, Modification And Waiver</i> ”) of Appendix B (“ <i>Terms and Conditions of the Bonds</i> ”)

		Refer to
	conditions of the Bonds by passing an extraordinary resolution.	
How do I apply for Bonds?	Details on how to apply for the Bonds are set out in Section 5 (<i>“How to Apply for the Bonds”</i>).	Section 5 (<i>“How to Apply for the Bonds”</i>)
What if I have further queries?	If you are unclear in relation to any matter, or uncertain if the Bonds are a suitable investment, you should seek professional advice from your broker, solicitor, accountant or other independent financial adviser before deciding whether to invest.	N/A

5

HOW TO APPLY FOR THE BONDS

The following section sets out what you must do if you wish to apply for any Bonds.

HOW TO APPLY FOR THE BONDS

<p>How and on what terms will Bonds be allocated to me?</p>	<p>Applications to purchase the Bonds, cannot be made directly to the Issuer. Bonds will be issued to you in accordance with the arrangements in place between you and your stockbroker or other financial intermediary, including as to application process, allocations, payment and delivery arrangements. You should approach your stockbroker or other financial intermediary to discuss any application arrangements that may be available to you.</p> <p>It is important to note that none of the Issuer, the Charity, the Servicer, the Manager or the Trustee is party to such arrangements between you and the relevant authorised offeror (each an “Authorised Offeror”, being a person to whom the Issuer and, as applicable, the Charity have given their consent to use this prospectus in accordance with Article 3.2 of the Prospectus Directive (Directive 2003/71/EC)). You must therefore obtain this information from the relevant Authorised Offeror. Because they are not party to the dealings you may have with the Authorised Offeror, the Issuer, the Charity, the Servicer, the Manager and the Trustee will have no responsibility to you for any information provided to you by the Authorised Offeror.</p>
<p>What is the issue price of the Bonds?</p>	<p>The Bonds will be issued at the issue price of 100 per cent. (the “Issue Price”). Any investor intending to acquire any Bonds from an Authorised Offeror will do so at the Issue Price subject to and in accordance with any terms and other arrangements in place between such Authorised Offeror and such investor, including as to price, allocations and settlement arrangements. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager is party to such arrangements with investors and accordingly investors must obtain such information from the relevant Authorised Offeror. Neither the Issuer nor (unless acting as an Authorised Offeror in that capacity) the Manager has any responsibility to an investor for such information. See “<i>What is the amount of any expenses and taxes specifically that will be charged to me?</i>” below for further information.</p>
<p>How and when must I pay for my allocation and when will that allocation be delivered to me?</p>	<p>You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) and the arrangements for the Bonds to be delivered to you in return for payment.</p>
<p>When can the Authorised Offerors offer the Bonds for sale?</p>	<p>An offer of the Bonds may be made by the Manager and the other Authorised Offerors in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017, or such other time and date as agreed between the Issuer and the Manager and announced via a Regulatory Information Service (which is expected to be the Regulatory News Service operated by the London Stock Exchange) (the “Offer Period”).</p> <p>After the end of the Offer Period, no Bonds will be offered for sale (i) by or on behalf of the Issuer or (ii) by the Authorised Offerors (in their capacity as Authorised Offerors) except with the consent of the Issuer.</p>

<p>Is the offer of the Bonds conditional on anything else?</p>	<p>The issue of Bonds is conditional upon (i) a subscription agreement being signed by the Issuer and the Manager on or about 3 July 2017 (the “Subscription Agreement”), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 3 July 2017; and (iii) the Loan Agreement to be dated the date of issue of the Bonds being signed by the Issuer and the Charity on or about 6 July 2017. The Subscription Agreement will include certain conditions customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and comfort letters from the independent auditors of the Charity satisfactory to the Manager).</p>
<p>Is it possible that I may not be issued with the number of Bonds I apply for? Will I be refunded for any excess amounts paid?</p>	<p>You may not be allocated all (or any) of the Bonds for which you apply. This might happen for example if the total amount of orders for the Bonds exceeds the aggregate nominal amount of Bonds ultimately issued. There will be no refund as you will not be required to pay for any Bonds until any application for Bonds has been accepted and the Bonds have been allocated to you.</p>
<p>Is there a minimum or maximum amount of Bonds that I can apply for?</p>	<p>The minimum application amount for each investor is £500. There is no maximum amount of application.</p>
<p>How and when will the results of the offer of the Bonds be made public?</p>	<p>The results of the offer of the Bonds (including details of the aggregate nominal amount of Retained Bonds) will be made public in the Issue Size Announcement, which will be published prior to the Issue Date. The Issue Size Announcement is currently expected to be made on or around 30 June 2017.</p>
<p>Who can apply for the Bonds? Have any Bonds been reserved for certain countries?</p>	<p>Subject to certain exceptions, Bonds may only be offered by the Authorised Offerors in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the Offer Period. No Bonds have been reserved for certain countries.</p>
<p>When and how will I be told of how many Bonds have been allotted to me?</p>	<p>You will be notified by the relevant Authorised Offeror of your allocation of Bonds (if any) in accordance with the arrangements in place between you and the Authorised Offeror.</p>
<p>Have any steps been taken to allow dealings in the Bonds before investors are told how many Bonds have been allotted to them?</p>	<p>No steps have been taken to allow the Bonds to be traded before informing you of your allocation of Bonds.</p>
<p>What is the amount of any expenses and taxes specifically that will be charged to me?</p>	<p>The Issuer will not charge you any expenses.</p> <p>An Authorised Offeror may charge you expenses. However, these are beyond the control of the Issuer and are not set by the Issuer. The Issuer estimates that, in connection with the sale of Bonds to you, the expenses charged to you by one of the Authorised Offerors known to it as of the date of this Prospectus will be between 1 per cent. and 7 per cent. of the aggregate principal amount of the Bonds sold to you.</p>

<p>What are the names and addresses of those distributing the Bonds?</p>	<p>As of the date of this Prospectus, the persons listed below are initial Authorised Offerors who have each been appointed by the Issuer and the Manager to offer and distribute the Bonds in the United Kingdom, Guernsey, Jersey and/or the Isle of Man during the Offer Period:</p> <p>AJ Bell Securities Limited</p> <p>4 Exchange Quay Salford Quays Manchester M5 3EE</p> <p>Barclays Bank PLC</p> <p>1 Churchill Place London E14 5HP</p> <p>Equiniti Financial Services Limited</p> <p>Aspect House Spencer Road Lancing West Sussex BN99 6DA</p> <p>Hargreaves Lansdown</p> <p>One College Square South Anchor Road Bristol BS1 5HL</p> <p>Redmayne-Bentley LLP</p> <p>9 Bond Court Leeds LS1 2JZ</p> <p>The Issuer and, as applicable, the Charity have also granted consent to the use of this Prospectus by other relevant stockbrokers and financial intermediaries during the Offer Period on the basis of and so long as they comply with the conditions described in Section 11 (<i>“Important Legal Information – Public Offer of the Bonds – Authorised Offerors and Consent to use this Prospectus – Conditions to Consent”</i>). Neither the Issuer, the Charity nor the Manager has authorised, nor will they authorise, the making of any other offer of the Bonds in any other circumstances.</p>
<p>Will a registered market-maker be appointed?</p>	<p>Peel Hunt LLP will be appointed as a registered market-maker through ORB in respect of the Bonds from the date on which the Bonds are admitted to trading on the regulated market of the London Stock Exchange. Market-making means that a person will quote prices for buying and selling the Bonds during trading hours.</p>

6

TAXATION

If you are considering applying for Bonds, it is important that you understand the taxation consequences of investing in the Bonds. You should read this section and discuss the taxation consequences with your tax adviser, financial adviser or other professional adviser before deciding whether to invest.

TAXATION

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Bonds and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice (which may not be binding on HMRC) relating to certain aspects of United Kingdom taxation relating to the Bonds and is of a general nature and not intended to be exhaustive. Some aspects may not apply to certain classes of persons (such as dealers and persons connected with the Issuer), to whom special rules may apply. The United Kingdom tax treatment of prospective Bondholders depends on their individual circumstances and may be subject to change in the future. Prospective Bondholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

References to "**Bondholders**" in this section entitled "*United Kingdom Taxation*" should be taken to include references to holders of CDIs. The statements below assume that the holders of CDIs are, for United Kingdom tax purposes, absolutely beneficially entitled to the Bonds and to any payments on the Bonds.

A. Interest on the Bonds

Payment of interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be "listed on a recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Bonds will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds carry a right to interest and are and remain so listed and admitted, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where a double tax treaty applicable to a Bondholder provides for a lower rate of withholding tax (or for no tax to be withheld), HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Bondholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Bonds are attributable (and where that Bondholder is a company, unless that Bondholder carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Bonds are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Bondholders.

B. United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax (including, for non-United Kingdom resident Bondholders, where Bonds are acquired or held for the purposes of a trade carried on in the United Kingdom through a permanent establishment in the United Kingdom) will be charged to tax as

income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their U.K. GAAP or IFRS accounting treatment.

C. Other United Kingdom Tax Payers

Taxation of Interest

Bondholders who are individuals (and certain trustees) and are resident for tax purposes in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable will generally be liable to United Kingdom tax on the amount of any interest received in respect of the Bonds.

Taxation of Chargeable Gains

A disposal of Bonds by an individual Bondholder who is resident in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable, may give rise to a chargeable gain or allowable loss for the purposes of the United Kingdom taxation of chargeable gains.

Accrued Income Scheme

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Bondholder is resident in the United Kingdom or carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Bonds are attributable.

The Bonds may constitute variable-rate securities for the purposes of the accrued income scheme. Under the accrued income scheme on a disposal of Bonds by a Bondholder who is resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Bonds are attributable the Bondholder may be charged to income tax on an amount of income which is just and reasonable in the circumstances. The purchaser of such a Bond will not be entitled to any equivalent tax credit under the accrued income scheme to set against any actual interest received by the purchaser in respect of the Bonds (which may therefore be taxable in full).

Individual Savings Accounts

The Bonds will be qualifying investments for the stocks and shares component of an account (an “ISA”) under the Individual Savings Account Regulations 1998 (the “ISA Regulations”) provided that: (i) at the time the Bonds are first held in the account, the Bonds are; and (ii) the Bonds remain, listed on the official list of a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Individual Bondholders who acquire or hold their Bonds through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations will not be subject to United Kingdom tax on interest or other amounts received in respect of the Bonds, provided that the ISA otherwise satisfies the requirements for tax exemption in the ISA Regulations.

The current overall yearly subscription limit for an ISA (except for a “Junior” ISA) is £20,000 (which may be split between a cash ISA and a stocks and shares ISA in any proportion the saver chooses).

The opportunity to invest in Bonds through an ISA is restricted to individuals. Individuals wishing to purchase the Bonds through an ISA should contact their professional advisers regarding their eligibility.

D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue of the Bonds or on a transfer of the Bonds.

E. US Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. A foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes under current law. Certain aspects of the application of FATCA and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to foreign passthru payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

7

DESCRIPTION OF RETAIL CHARITY BONDS PLC

This section sets out certain information about the Issuer.

DESCRIPTION OF RETAIL CHARITY BONDS PLC

Incorporation and Status

The Issuer is a public limited company incorporated in England and Wales with registered number 8940313 on 14 March 2014 under the Companies Act 2006.

The registered address of the Issuer is 27/28 Eastcastle Street, London W1W 8DH. The telephone number of its registered address is 0207 637 5216. The Issuer has no subsidiaries.

Principal Activities of the Issuer

The Issuer is a special purpose entity established by Allia Ltd, a UK charity and specialist in impact finance, for the purpose of issuing asset-backed securities. Its principal activities and corporate objects are limited to issuing debt securities and on-lending the proceeds thereof to exempt charities or registered charities in the UK and to do all such other things as are incidental or conducive thereto. The Issuer will not engage in any activities which are not related to the issue of bonds.

In order to perform such activities, the Issuer has entered into certain arrangements with third parties, including, in particular, in relation to loan servicing, cash management and corporate administration services (as to which investors should refer to “*Description of the Servicer*” below).

The Issuer was established as an issuing vehicle whose objects are described above. The Issuer is not itself a charity.

The Issuer is registered with the Financial Conduct Authority in accordance with the Money Laundering Regulations 2007.

United Kingdom Directors

The directors of the Issuer and their other principal activities outside the Issuer are:

Name	Other Principal Activities
John Tattersall	John Tattersall is Chairman of the boards of UK Asset Resolution (including Bradford & Bingley PLC and NRAM Limited) and UBS Limited, and a non-executive director on the board of CCLA Investment Management. He is also Chair of two Charities, a trustee of three others, and a non-stipendiary priest in the Church of England.
Gordon D’Silva OBE	Gordon has pioneered numerous social innovation not-for-profit businesses over the last 30 years that have been the recipient of numerous business, academic, charity and social enterprise awards. In 2011 he was awarded the OBE for his contribution to the industry. He is currently co-chair of Good Business Alliance and owner of a residence-hotel in Italy. He also advises several European social innovation businesses and mentors business leaders.
Tom Hackett	Tom Hackett is a member of the board of trustees of a number of UK charities and, prior to retirement, was Director General, Lending, at European Investment Bank.

Tim Jones	Tim Jones is Secretary and Chief Executive of Allia Ltd. He is also Chairman and non-executive director of Treatt plc, a quoted global flavour and fragrance supplier and a non-executive director and trustee of SkillsBridge, an organisation bringing support to voluntary and community sector organisations in the North East of England. He is an honorary Fellow at Cambridge Judge Business School.
Geetha Rabindrakumar	Geetha Rabindrakumar works for Big Society Capital, an independent financial institution with a social mission, working to grow the social investment market. She leads Big Society Capital's engagement with the charity and social enterprise sector.
Sandra Skeete	Sandra Skeete has worked as a senior executive in the housing sector for over 20 years, most recently at Peabody where she was Executive Director of Housing responsible for managing 29,000 homes. She is currently working as an interim director supporting the transformation of the housing delivery model for a London housing association. She is also a trustee of the Duchy of Lancaster Housing Trust.
Clare Thompson	Clare Thompson is a non-executive director of British United Provident Association Limited (BUPA) and Direct Line Insurance Group plc and a non-executive board member of Miller Insurance Services LLP, and also a trustee of the Disasters Emergency Committee.
Philip Wright	Philip Wright is a director of Allia, a Council member of Goldsmiths College, a director of Beyond Food CIC and a trustee and director of Common Purpose.

The business address of each of the directors is 27/28 Eastcastle Street, London, W1W 8DH.

The secretary of the Issuer is Cargil Management Services Limited whose registered address is at 22 Melton Street, London, NW1 2BW.

There are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or duties except as described in the paragraph below.

Tim Jones is a director of the Servicer and is an employee of Allia Ltd. and Philip Wright is a director of Allia Ltd. Allia Ltd. is a shareholder in the Issuer (see below for details), and is the sole shareholder in the Servicer. Accordingly, to manage any conflicts of interest neither Tim Jones nor Philip Wright will vote as directors of the Issuer in relation to any matters that concern the Servicer's relationship with the Issuer. The directors of the Issuer do not receive any remuneration.

The directors have delegated certain of their powers, authorities and discretions to the following committees:

- (i) a nomination committee which will consider the appointment of directors of the Issuer and make recommendations to the board;
- (ii) a review committee which will consider and recommend to the board, potential transactions that the Issuer may enter into;
- (iii) an audit committee which will consider matters in relation to any audit of the Issuer and the appointment of external auditors and make recommendations to the board.

Share Capital and Major Shareholders

The entire issued share capital of the Issuer comprises 50,001 ordinary shares of £1 each, all of which are paid up to a total value of £12,501.

The entire issued share capital of the Issuer is held by:

- (i) RC Bond Holdings Limited, a private limited company incorporated in England and Wales whose registered address is at Future Business Centre, King's Hedges Road, Cambridge, CB4 2HY and with company number 08936422, which holds 50,000 ordinary shares; and
- (ii) Allia Ltd., a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014, whose registered address is at Future Business Centre, King's Hedges Road, Cambridge, CB4 2HY and with registered number 28861R which holds one ordinary share designated as a special share (the "**Special Share**").

In respect of any resolution proposed in relation to any alteration in the articles of association of the Issuer (which includes any alteration to the corporate objects set out under "*Principal Activities of the Issuer*" above), 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 Issuer.

Operations

On 29 July 2014, the Issuer issued £11,000,000 4.375% Bonds due 2021, secured on a loan to Golden Lane Housing Ltd (a wholly owned subsidiary of the Royal Mencap Society). On 30 April 2015, the Issuer issued £27,000,000 4.4% Bonds due 2025, secured on a loan to Hightown Housing Association Limited (formerly known as Hightown Praetorian & Churches Housing Association Limited). On 12 April 2016, the Issuer issued £30,000,000 5.00% Bonds due 2026 (including Retained Bonds), secured on a loan to Charities Aid Foundation. On 30 March 2017, the Issuer issued £50,000,000 4.25% Bonds due 2026 (including Retained Bonds), secured on a loan to Greensleeves Homes Trust.

The Issuer's audited financial statements for the period ended 31 August 2015 (the "**Initial Accounts**") and for the year ended 31 August 2016 have been filed with the Financial Conduct Authority and are attached to this Prospectus as Appendix F ("*Financial Statements of the Issuer for the period ended 31 August 2015 and for the year ended 31 August 2016*"). The Initial Accounts (including the Audit Report contained therein) cover the period from incorporation on 14 March 2014 to 31 August 2015. Copies of the Issuer's financial statements can be viewed electronically and free of charge on the website of the Issuer (<http://www.retailcharitybonds.co.uk/about/#Governance>) and obtained from the registered office of the Issuer and from the specified office of the paying agent for the time being in London.

8

DESCRIPTION OF THE SERVICER

This section sets out information about the Servicer.

DESCRIPTION OF THE SERVICER

The Issuer has contracted with Allia Impact Finance Ltd (the “**Servicer**”), to provide certain services in relation to the Loan and the Bonds. These services include, in particular, liaising with Charity (on the Issuer’s behalf) to ensure the Charity is aware of its obligations under the Loan Agreement to be dated the date of issue of the Bonds) and administering correspondence received from the Charity. A summary of the duties of the Servicer is set out below. The Issuer cannot perform these functions itself because it does not have any employees and therefore contracts with the Servicer to perform them on its behalf. Investors should refer to Section 2 (“*Risk Factors – Factors that may affect the Issuer’s ability to fulfil its obligations under the Bonds - The Issuer’s reliance on third parties*”) for further information.

The Servicer is a private limited company incorporated under the laws of England and Wales with company number 09033937 whose registered office is at Future Business Centre, Kings Hedges Road, Cambridge, United Kingdom, CB4 2HY. It is a wholly owned subsidiary of Allia Ltd., a community benefit society registered under the Co-operative and Community Benefit Societies Act 2014 (registered number 28861R).

Duties of the Servicer

The duties that the Servicer has agreed to perform are set out in a Services Agreement entered into between the Issuer and the Servicer. These services include, among others:

- a) management of the Issuer’s bank accounts including effecting payments from and to the Series Charged Account (which includes payments of principal and interest due on the Bonds) and the unsecured Expense Reserve Account (as set out in more detail below);
- b) monitoring and recording all receipts of funds into the Issuer’s bank accounts;
- c) at a prudent time prior to any scheduled payment date for amounts due to the Issuer, liaising with the Charity to ensure it is aware of its payment obligations under the Loan Agreement and to confirm receipt of the relevant funds to the Issuer to the extent such funds are received on or before their due date;
- d) notifying the Issuer, the registrar, the agent and the Trustee of (i) any unpaid interest and/or (ii) any early repayment in respect of the Loan Agreement;
- e) to the extent the Servicer receives any correspondence from the Charity in accordance with the Loan Agreement (including any compliance certificate, notices of prepayment, annual statements of social impact and notices of the occurrence of an event of default under the Loan Agreement), forward such correspondence as soon as practicable upon receipt to the Issuer and, to the extent the Issuer is so required, to the Trustee on behalf of the Issuer (investors should note, however, that the Servicer has no obligation to take any enforcement action in relation to the loan, as to which see Section 2 (“*Risk Factors – Factors which are material for the purpose of assessing the Market Risks associated with the Bonds - The Servicer is under no obligation to take enforcement action in relation to the Loan Agreement*”));
- f) publish any information required to be delivered to the Issuer by the Charity pursuant to the terms of the Loan Agreement on the relevant section of the investor website of the Issuer;
- g) promptly giving notice in writing to the Issuer and the Trustee of the occurrence of any default under a Loan Agreement upon becoming aware thereof and serving loan default notices on the Charity;

- h) certain additional corporate administration services ancillary to the Issuer's activities (including, for example, in relation to the audit and tax affairs of the Issuer and the management of external marketing communications on behalf of the Issuer).

Management of Issuer Accounts

The Servicer has agreed to operate the bank accounts of the Issuer pursuant to the Services Agreement. The relevant bank accounts have been opened by National Westminster Bank plc (the "**Account Bank**"), a company registered in England with company number 00929027 whose registered office is at 135 Bishopsgate, London EC2M 3UR, pursuant to the terms of an Account Agreement dated 26 June 2014 between the Issuer, the Account Bank, the Servicer and the Trustee. The Services Agreement contains certain detailed provisions as to the amounts that can be paid into, and out of, the Issuer's bank accounts as summarised below:

Series Charged Account

The Series Charged Account is secured in favour of the Trustee (pursuant to the trust deed dated 26 June 2014 as supplemented from time to time) and is specific to the Bonds. The Series Charged Account is the account into which the proceeds of the Bonds (before being paid to the Charity) and payments of interest and principal received by the Issuer from the Charity are credited. Following receipt from the Charity, payments of principal and interest due on the Bonds are, in turn, made from the Series Charged Account by the Servicer in accordance with the order of priorities set out in Condition 6 ("*Order of Payments*") in Appendix B ("*Terms and Conditions of the Bonds*"). Investors should refer to Section 2 ("*Risk Factors – Factors which are material for the purpose of assessing the Market Risks associated with the Bonds - Investors in the Bonds will have limited recourse to the assets of the Issuer in the event that it fails to make any payments on the Bonds and, further, the rights of enforcement for investors are limited, including that there are restrictions on the ability of investors to petition for bankruptcy of the Issuer*").

Expense Reserve Account

The Expense Reserve Account is not secured in favour of the Trustee (and neither the holders of the Bonds nor any other secured party has the benefit of it) and is a general reserve available to meet the general expenses of the Issuer. This account is funded by payments of arrangement fees by each relevant charity (such as the Charity) on each relevant issue date of bonds by the Issuer and on each interest payment date of each series of bonds (other than the last interest payment date) under each relevant loan agreement entered into between the Issuer and the relevant charity. Neither the holders of the Bonds nor any other secured party has any recourse to the balance standing to the credit of this account. The Services Agreement contains detailed provisions governing the amounts that may be paid out of this account by the Servicer, these include the following:

- a) fees and expenses in relation to a particular series of bonds that are payable on the issue date of such series;
- b) periodic expenses of the Issuer including, for example, trustee fees, agent fees and listing fees;
- c) an amount representing the Issuer's retained profit into the Issuer profit account;
- d) tax payable by the Issuer;
- e) companies registrar fees and expenses;
- f) amounts due in respect of certain professional services provided to the Issuer; and
- g) fees payable to the Servicer.

Remuneration

The Servicer shall be paid a fee as agreed between it and the Issuer.

Resignation and removal of the Servicer

The Servicer may resign at any time by giving at least 60 days' written notice to the Issuer.

The Servicer may be removed by the Issuer, giving reasons for such removal at any time forthwith by notice in writing from the Issuer if the Servicer:

- a) commits any material breach of the Services Agreement which is either incapable of remedy or has not been remedied within 30 days of the earlier of (i) the Issuer serving notice upon the Servicer requiring it to remedy the same; and (ii) the Servicer becoming aware of the breach;
- b) files a petition in bankruptcy or makes an assignment for the benefit of its creditors;
- c) is unable to pay or meet its debts as they fall due or suspend payment of its debts;
- d) consents to the appointment of an insolvency official or it enters an insolvency process; or
- e) ceases to carry on its business.

Any such resignation or removal shall only take effect upon the appointment by the Issuer of a successor Servicer, provided that (in the case of a resignation of the Servicer) if a successor is not appointed by the day falling 10 days prior to the expiry of any notice of resignation or (in the case of a removal of a Servicer) if a successor is not appointed by the day falling 60 days after the Issuer giving notice to remove the Servicer, the Servicer shall be entitled, on behalf of the Issuer, to appoint in its place a successor Servicer which is required to be a reputable institution of good standing.

Investors should refer to Section 2 ("*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under the Bonds - The Issuer's reliance on third parties*") for further information.

Delegation

The Servicer may not delegate to any third party the performance of all or any part of its obligations under the Services Agreement without the prior written consent of the Issuer. Subject to the Servicer's limitation of liability (see "*Limitation of liability of the Servicer*" below) the Servicer shall be liable to the Issuer for all matters so delegated and for the acts and omissions of any such third party or delegate.

Limitation of liability of the Servicer

The Servicer acts as the Issuer's agent in performing the functions set out above. The Services Agreement therefore provides that the Servicer is not liable for any liabilities suffered by the Issuer arising out of the performance by the Servicer (and/or its directors, officers, employees or agents) of its responsibilities under the Services Agreement except for such losses and/or damages resulting from fraud, negligence, wilful default and/or bad faith on the part of the Servicer (and/or its directors, officers, employees or agents) in the performance of its responsibilities under the Services Agreement.

9

SUBSCRIPTION AND SALE

This section sets out certain information with respect to the initial issue and distribution of the Bonds, including certain information with respect to the public offer of the Bonds.

SUBSCRIPTION AND SALE

Under the Subscription Agreement expected to be dated on or about 3 July 2017, the Manager is expected to agree to procure subscribers for the Bonds (other than the Retained Bonds) at the issue price of 100 per cent. of the nominal amount of the Bonds, less arrangement, management and applicable distribution fees. The Manager will receive fees of 0.50 per cent. of the nominal amount of the Bonds (other than the Retained Bonds). Authorised Offerors are also eligible to receive a distribution fee of up to 0.25 per cent. of the nominal amount of the Bonds (other than the Retained Bonds) allotted to them (payable out of the fee paid to the Manager). The Issuer will also reimburse the Manager in respect of certain of its expenses, and is expected to agree to indemnify the Manager against certain liabilities incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer. The issue of the Bonds will not be underwritten by the Manager, the authorised offerors or any other person.

The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

Selling Restrictions

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

European Economic Area

The Manager has represented and agreed that it has not made and will not make an offer of any Bonds to the public in any Member State of the European Economic Area, except that it may, during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017 on the basis of this Prospectus (which it has the Issuer's consent to use for such purpose), make an offer of the Bonds to the public in the United Kingdom following the date of publication of this Prospectus, which has been approved by the Financial Conduct Authority in the United Kingdom.

For the purposes of this provision: the expression an "offer of Bonds to the public" in any Member State of the European Economic Area means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

United Kingdom

The Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Jersey

The Manager has represented and agreed that it has not made and will not make an offer of Bonds in Jersey, save to the extent that the Manager is authorised, or otherwise permitted, to do so pursuant to the Financial Services (Jersey) Law 1998, as amended, and/or the Control of Borrowing (Jersey) Order 1958, as amended.

Guernsey

The Manager has represented and agreed that:

- (a) the Bonds cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and the regulations enacted thereunder, or any exemption therefrom;
- (b) this Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey; and
- (c) this Prospectus may not be distributed or circulated, directly or indirectly, to any persons in the Bailiwick of Guernsey other than:
 - (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended; or
 - (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law 1994, as amended, the Insurance Business (Bailiwick of Guernsey) Law 2002, as amended, or the Regulation of Fiduciaries, Administration Business and Company Directors etc (Bailiwick of Guernsey) Law 2000, as amended.

Isle of Man

The Manager has represented and agreed that the Bonds cannot be marketed, offered or sold in, or to persons resident in, the Isle of Man, other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 and the Regulated Activities Order 2011 or any exemption therefrom.

General

The Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses or distributes this Prospectus and/or any other offering material prepared in relation to the offering of the Bonds and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Trustee shall have any responsibility therefor.

None of the Issuer, the Trustee or the Manager represents that Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

10

ADDITIONAL INFORMATION

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus.

These include the availability of certain relevant documents for inspection, confirmations from the Issuer and details of the listing of the Bonds.

ADDITIONAL INFORMATION

Authorisation

The issue of the Bonds has been duly authorised by a resolution of the board of directors of the Issuer dated 14 June 2017.

Listing and admission to trading of the Bonds

It is expected that the Bonds will be admitted to the official list and to trading on the London Stock Exchange's regulated market and admitted to ORB on or around 7 July 2017, subject only to the issue of the global bond. Application has been made to the UK Listing Authority for the Bonds to be admitted to the official list and to the London Stock Exchange for the Bonds to be admitted to trading on the London Stock Exchange's regulated market and admitted to the ORB.

Use of Proceeds

The proceeds from the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) will be advanced by the Issuer to Charity under the Loan Agreement to be dated the date of issue of the Bonds), to be applied by the Charity in furtherance of its charitable objects, including, but not limited to the acquisition of further homes for rent, including existing stock and new build homes, the redevelopment of homes already owned by the Group and the development of new homes for rent by the Group.

The estimated proceeds, the amount of Retained Bonds to be purchased by the Issuer and the amount of the loan to be advanced on the Issue Date will be published in the Issue Size Announcement.

Expenses

The estimated total expenses of the Issuer in connection with the issue and offering of the Bonds will be published in the Issue Size Announcement.

Indication of yield

The yield in respect of the issue of the Bonds is 4.25 per cent. per annum until 6 July 2026. The yield is calculated at the Issue Date on the basis of the Issue Price of 100 per cent., using the formula below. It is not an indication of future yield.

$$P = \frac{c}{r} (1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

where:

“**P**” is the Issue Price of the Bonds;

“**C**” is the annual interest amount;

“**A**” is the principal amount of Bonds due on redemption;

“**n**” is time to maturity in years; and

“**r**” is the annual yield.

Documents Available

Copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer;
- (b) the most recently published audited annual financial statements of the Issuer (if any) and the Charity together with any audit or review reports prepared in connection therewith;
- (c) the Issuance Facility Agreement dated 26 June 2014, the Master Trust Deed dated 26 June 2014 as supplemented from time to time, an Agency Agreement dated 26 June 2014 and the form of the Global Bond;
- (d) the Loan Agreement and any amendments thereto;
- (e) the Subscription Agreement dated on or about 3 July 2017; and
- (f) this Prospectus and, if applicable, any supplements to this Prospectus.

Clearing Systems

The Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records).

The ISIN for the Bonds is XS1634535253 and the Common Code for the Bonds is 163453525.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Interests in the Bonds may also be held through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) (“CREST”) through CDIs, representing the interests in the relevant Bonds underlying the CDIs. The current address of CREST is Euroclear UK & Ireland Limited, 33 Cannon Street, London EC4M 5SB. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus. For more information on the CDI mechanism, refer to Section 2 (“*Risk Factors – Risks related to the market generally - Risks relating to holding interests in the Bonds through CREST Depository Interests*”).

Material or Significant Change

There has been no significant change in the financial or trading position of the Issuer since 31 August 2016 and no material adverse change in the prospects of the Issuer since 31 August 2016.

There has been no significant change in the financial or trading position of the Charity or the Group since 31 March 2016 and there has been no material adverse change in the prospects of the Charity or the Group since 31 March 2016.

Litigation

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Issuer is aware during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer’s financial position or profitability.

There are no and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which the Charity or the Group is aware during the 12 months

preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Charity or the Group's financial position or profitability.

Auditors

The auditors of the Issuer are RSM UK Audit LLP, who have audited the Issuer's accounts (without qualification) in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the period from incorporation to 31 August 2015 and for the year ended 31 August 2016. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Charity are Crowe Clark Whitehill LLP who have audited the Charity's accounts (without qualification) in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the financial year ended on 31 March 2016 and for the financial year ended on 31 March 2015.

Issuance Facility

The Issuer has entered into, amongst other documents, an Issuance Facility Agreement dated 26 June 2014 (the "**Issuance Facility Agreement**") and a trust deed dated 26 June 2014 (the "**Master Trust Deed**") as supplemented by a Supplemental Trust Deed dated 6 July 2017 (the "**Supplemental Trust Deed**"), pursuant to which it is able to issue bonds (such as the Bonds) from time to time and to on-lend the proceeds thereof to registered or exempt charities in the United Kingdom (such as the Charity) (the "**Issuance Facility**"). Accordingly, bonds of different series may be issued under the Master Trust Deed from time to time. The Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time in respect of the Bonds, is referred to in this Prospectus as the "**Trust Deed**".

Each series of bonds issued under the Issuance Facility will be attributed a Series number by the Issuer. The Series number attributed to the Bonds is 5.

Managers transacting with the Issuer and the Charity

Peel Hunt LLP and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and/or the Charity and their respective affiliates in the ordinary course of business.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to the Bonds.

11

IMPORTANT LEGAL INFORMATION

This section sets out some important information relating to this Prospectus, including who takes responsibility for its preparation.

IMPORTANT LEGAL INFORMATION

What is this document?

This document is a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU) (the “**Prospectus Directive**”). The Prospectus Directive and associated legislation requires that issuers of bonds and other instruments must prepare a prospectus in certain circumstances. It also prescribes the type of information which such a prospectus must contain, depending on the nature of the issuer and of the bonds being issued.

Responsibility for this Prospectus

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In addition to the Issuer, the Charity accepts responsibility for the information contained in Section 1 (“*Summary*”) (in so far as the information relates to the Charity only), Section 2 (“*Risk Factors - Factors that may affect the Charity’s ability to fulfil its obligations under the Loan Agreement*”) and Section 3 (“*Description of the Charity*”), Section 4 (“*Information about the Bonds*”) (insofar as the information relates to the Charity only), the information relating to it under the headings “*Material or Significant Change*”, “*Litigation*” and “*Auditors*” in Section 10 (“*Additional Information*”) and Appendix E (“*Charity’s consolidated financial statements for the years ended 31 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 31 March 2016*”). To the best of the knowledge of the Charity (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

No other person responsible

None of the Manager, the Charity (save as indicated above), the Servicer, the Trustee or any of the paying or transfer agents referred to in this Prospectus has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Manager, the Charity, the Servicer, the paying or transfer agents or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Bonds. None of the Manager, the Charity, the Servicer, the paying or transfer agents or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Bonds.

No person is or has been authorised by the Issuer, the Charity, the Servicer, the Trustee or the Manager to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Charity, the Servicer, the Trustee or the Manager.

No recommendation

Neither this Prospectus nor any other information supplied in connection with the Bonds (i) is intended to provide the sole basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Charity, the Trustee, the Servicer or the Manager that any recipient of this Prospectus or any other information supplied in connection with the Bonds should subscribe for or purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Charity. Neither this Prospectus

nor any other information supplied in connection with the issue of the Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Charity, the Trustee, the Servicer or the Manager to any person to subscribe for or to purchase any Bonds.

PUBLIC OFFER OF THE BONDS

Authorised Offerors

If, in the context of the Public Offer (as defined below), you are offered Bonds by any entity, you should check that such entity is authorised to use this Prospectus for the purposes of making such offer before agreeing to purchase any Bonds. To be authorised to use this Prospectus in connection with the Public Offer (referred to below as an “Authorised Offeror”), an entity must comply with the Conditions to Consent referred to below and either be:

- the Manager, AJ Bell Securities Limited, Barclays Bank PLC, Equiniti Financial Services Limited, Hargreaves Lansdown or Redmayne-Bentley LLP; or
- named on the Issuer’s website (<http://www.retailcharitybonds.co.uk/bonds/dolphin>) and identified as an Authorised Offeror in respect of the Public Offer; or
- authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and have published on its website that it is using this Prospectus for the purposes of the Public Offer in accordance with the consent of the Issuer.

Other than as set out above, none of the Issuer, the Charity, the Servicer or the Manager has authorised the making of a Public Offer by any person in any circumstances and such person is not permitted to use this Prospectus in connection with any offer of the Bonds.

Conditions to Consent

Valid offers of Bonds may only be made by an Authorised Offeror in the context of the Public Offer in the United Kingdom and during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017 (referred to below as the “Conditions to Consent”).

If in any doubt about whether you can rely on this Prospectus and/or who is responsible for its contents, you should take legal advice.

Please see below for certain important legal information relating to the Public Offer.

Offer Jurisdictions

This Prospectus has been prepared for the purposes of an offer of the Bonds in the following jurisdictions only:

- United Kingdom;
- Jersey;
- Guernsey; and
- Isle of Man.

The United Kingdom is a Member State of the European Economic Area which has implemented the Prospectus Directive. The Prospectus Directive requires that offers of Bonds can only be made to the public in the United

Kingdom in circumstances where (i) the offer is made on the basis of an approved Prospectus or (ii) the offer is made under an exemption from the requirement for an approved Prospectus under the Prospectus Directive. In this Prospectus, an offer of the type described in (i) is referred to as a “**Public Offer**”.

The Prospectus has been approved by the UK Listing Authority as competent authority in the United Kingdom. Accordingly, this Prospectus may be used by Authorised Offerors (as described below) to make Public Offers of the Bonds in the United Kingdom during the period from 20 June 2017 to 12.00 noon (London time) on 30 June 2017.

Jersey, Guernsey and the Isle of Man are not Member States of the European Economic Area and, accordingly, the Prospectus Directive does not apply to those jurisdictions. The section “*Authorised Offerors and Consent to use this Prospectus*” below is applicable only in the context of the Prospectus Directive and thus applies only to Public Offers of Bonds in the United Kingdom. Nevertheless, as a separate matter, each Authorised Offeror is also authorised by the Issuer to use the Prospectus in connection with offers of the Bonds to the public in Jersey, Guernsey and the Isle of Man during the Offer Period and in accordance with the applicable securities laws and regulations of those jurisdictions.

Persons who are not Authorised Offerors are not authorised to use this Prospectus to make any offers of the Bonds in any jurisdiction. A potential investor in the Bonds should satisfy itself that the person purporting to make an offer of the Bonds to such potential investor is an Authorised Offeror.

Save as provided above, none of the Issuer, the Charity, the Servicer or the Manager has authorised, nor do they authorise, the making of any offer of Bonds in circumstances in which an obligation arises for the Issuer or any other person to publish or supplement a prospectus for such offer.

Authorised Offerors and Consent to use this Prospectus

The Issuer accepts responsibility for the content of this Prospectus with respect to the resale or final placement of the Bonds by any Authorised Offeror (as defined below), provided that the conditions attached to that consent are complied with by the Authorised Offeror (General and Specific Consent).

The Charity accepts responsibility for the content of this Prospectus with respect to the resale or final placement of the Bonds by any Authorised Offeror, provided that the conditions attached to that consent are complied with by the Authorised Offeror (General Consent only).

This Prospectus can only be used in connection with Public Offers of Bonds by persons to whom the Issuer and the Charity have given their consent (Specific Consent or General Consent) to use the Prospectus, in accordance with Article 3.2 of the Prospectus Directive. Persons to whom the Issuer and, as applicable, the Charity have given such consent are referred to herein as the “Authorised Offerors”.

The Specific Consent and the General Consent are subject to the conditions described under “*Conditions to Consent*” below.

Specific Consent

The Issuer consents (the “**Specific Consent**”) to the use of this Prospectus in connection with the Public Offer of Bonds in the United Kingdom during the Offer Period by:

- the Manager;
- AJ Bell Securities Limited, Barclays Bank PLC, Equiniti Financial Services Limited, Hargreaves Lansdown or Redmayne-Bentley LLP; and

- any other financial intermediary appointed after the date of this Prospectus and whose name and address is published on the Issuer’s website (<http://www.retailcharitybonds.co.uk/bonds/dolphin>) and identified as an Authorised Offeror in respect of the Public Offer.

General Consent

In addition to the specific consents given above, the Issuer and the Charity also consent (the “**General Consent**”) and hereby offer to grant their consent to the use of this Prospectus in connection with a Public Offer of the Bonds in the United Kingdom during the Offer Period by any financial intermediary which satisfies the following conditions:

- (1) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) (in which regard, potential investors should consult the Financial Services Register maintained by the Financial Conduct Authority at: www.fca.org.uk/firms/systems-reporting/register); and
- (2) it accepts the Issuer’s and the Charity’s offer to grant consent to the use of this Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*“We, [insert legal name of financial intermediary], refer to the offer of 4.25 per cent. Bonds due 6 July 2026 (the “**Bonds**”) described in the Prospectus dated 20 June 2017 (the “**Prospectus**”) published by Retail Charity Bonds PLC (the “**Issuer**”). In consideration of the Issuer and the Charity offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom (the “**Public Offer**”) during the Offer Period and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer and the Charity in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly”.*

The “**Authorised Offeror Terms**”, being the terms to which the relevant financial intermediary agrees in connection with using the Prospectus, are set out below under “*Authorised Offeror Terms and Authorised Offeror Contract*”. Any financial intermediary wishing to use the Prospectus in connection with a Public Offer of the Bonds on the basis of the Issuer’s and the Charity’s General Consent pursuant to the foregoing provisions must read the Authorised Offeror Terms carefully. By publishing the statement at paragraph (2) above on its website, such financial intermediary will enter into a contract with the Issuer and the Charity on the terms of the Authorised Offeror Terms.

Any financial intermediary who wishes to use this Prospectus in connection with a Public Offer of the Bonds on the basis of the Issuer’s and the Charity’s General Consent is required, for the duration of the Offer Period, to publish on its website the statement (duly completed) specified at paragraph (2) above.

Conditions to Consent

The conditions to the Issuer’s Specific Consent and the Issuer’s and the Charity’s General Consent (in addition to the Conditions described above) are that such consent:

- is only valid in respect of the Bonds;
- is only valid during the Offer Period; and
- only extends to the use of this Prospectus to make Public Offers of the Bonds in the United Kingdom.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of any Public Offer of Bonds, each of the Issuer and the Charity (in relation to the information indicated on page 2 of this Prospectus only) accepts responsibility, in the United Kingdom, for the content of this Prospectus in relation to any person (an “Investor”) who purchases any Bonds in a Public Offer made by an Authorised Offeror, where that offer is made during the Offer Period and provided that the conditions attached to the giving of the consent for the use of this Prospectus are complied with. Such consent and conditions are described above under “*Authorised Offerors and Consent to use this Prospectus*”.

None of the Issuer, the Charity, the Servicer or the Manager has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such Public Offer.

Save as provided above, none of the Issuer, the Charity, the Servicer or the Manager has authorised the making of any Public Offer by any offeror and the Issuer has not consented to the use of this Prospectus by any other person in connection with any Public Offer of Bonds. Any Public Offer made without the consent of the Issuer is unauthorised and none of the Issuer, the Charity, the Servicer or the Manager accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Bonds by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Prospectus for the purposes of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

ARRANGEMENTS BETWEEN INVESTORS AND THE FINANCIAL INTERMEDIARIES WHO WILL DISTRIBUTE THE BONDS

IN THE EVENT OF ANY PUBLIC OFFER BEING MADE BY AN AUTHORISED OFFEROR, THE AUTHORISED OFFEROR WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE PUBLIC OFFER AT THE TIME THE PUBLIC OFFER IS MADE.

Authorised Offeror Terms and Authorised Offeror Contract

This section sets out the Authorised Offeror Terms in connection with the Issuer’s and the Charity’s General Consent for use of the Prospectus in connection with Public Offers of the Bonds as described under “Authorised Offerors and Consent to use this Prospectus” above. Any financial intermediary who intends to use the Prospectus on the basis of such General Consent must read this section carefully.

The “Authorised Offeror Terms”, being the terms to which the relevant financial intermediary agrees in connection with using this Prospectus, are that the relevant financial intermediary:

- (1) will, and it agrees, represents, warrants and undertakes for the benefit of the Issuer, the Charity and the Manager that it will, at all times in connection with the Public Offer:
 - (a) act in accordance with, and be solely responsible for complying with, all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the “Rules”), including the Rules published by the United Kingdom Financial Conduct Authority (“FCA”) (including the guidance published by the FCA (or its predecessor, the Financial Services Authority) for distributors in “*The Responsibilities of Providers and Distributors for the Fair Treatment of Customers*”) from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Bonds by any person and disclosure to any potential Investor, and will immediately inform the Issuer and the Manager if at any time such financial intermediary becomes aware or suspects that it is or may be in violation of any Rules and take all appropriate steps to remedy such violation and comply with such Rules in all respects;

- (b) comply with the restrictions set out under Section 9 (“*Subscription and Sale*”) in this Prospectus which would apply as if it were a Manager;
- (c) ensure that any fee (and any other commissions or benefits of any kind) received or paid by that financial intermediary in relation to the offer or sale of the Bonds does not violate the Rules and, to the extent required by the Rules, is fully and clearly disclosed to Investors or potential Investors;
- (d) hold all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Bonds under the Rules, including authorisation under the Financial Services and Markets Act 2000 and/or the Financial Services Act 2012;
- (e) comply with applicable anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules (including, without limitation, taking appropriate steps, in compliance with such Rules, to establish and document the identity of each potential Investor prior to initial investment in any Bonds by the Investor), and will not permit any application for Bonds in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (f) retain Investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested, make such records available to the Manager and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Manager in order to enable the Issuer and/or the Manager to comply with anti-money laundering, anti-bribery, anti-corruption and “know your client” Rules applying to the Issuer and/or the Manager;
- (g) ensure that no holder of Bonds or potential Investor in Bonds shall become an indirect or direct client of the Issuer or the Manager for the purposes of any applicable Rules from time to time, and to the extent that any client obligations are created by the relevant financial intermediary under any applicable Rules, then such financial intermediary shall perform any such obligations so arising;
- (h) co-operate with the Issuer and the Manager in providing such information (including, without limitation, documents and records maintained pursuant to paragraph (f) above) upon written request from the Issuer or the Manager as is available to such financial intermediary or which is within its power and control from time to time, together with such further assistance as is reasonably requested by the Issuer or the Manager:
 - (i) in connection with any request or investigation by the FCA or any other regulator in relation to the Bonds, the Issuer or the Manager; and/or
 - (ii) in connection with any complaints received by the Issuer and/or the Manager relating to the Issuer and/or the Manager or another Authorised Offeror including, without limitation, complaints as defined in rules published by the FCA and/or any other regulator of competent jurisdiction from time to time; and/or
 - (iii) which the Issuer or the Manager may reasonably require from time to time in relation to the Bonds and/or as to allow the Issuer or the Manager fully to comply with its own legal, tax and regulatory requirements,

in each case, as soon as is reasonably practicable and, in any event, within any time frame set by any such regulator or regulatory process;

- (i) during the period of the initial offering of the Bonds: (i) not sell the Bonds at any price other than the Issue Price (unless otherwise agreed with the Manager); (ii) not sell the Bonds otherwise than for settlement on the Issue Date; (iii) not appoint any sub-distributors (unless otherwise agreed with the Manager); (iv) not pay any fee or remuneration or commissions or benefits to any third parties in relation to the offering or sale of the Bonds (unless otherwise agreed with the Manager); and (v) comply with such other rules of conduct as may be reasonably required and specified by the Manager;
 - (j) either (i) obtain from each potential Investor an executed application for the Bonds, or (ii) keep a record of all requests such financial intermediary (x) makes for its discretionary management clients, (y) receives from its advisory clients and (z) receives from its execution-only clients, in each case prior to making any order for the Bonds on their behalf, and in each case maintain the same on its files for so long as is required by any applicable Rules;
 - (k) ensure that it does not, directly or indirectly, cause the Issuer or the Manager to breach any Rule or subject the Issuer or the Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
 - (l) comply with the conditions to the consent referred to under “*Conditions to Consent*” above;
 - (m) make available to each potential Investor in the Bonds this Prospectus (as supplemented as at the relevant time, if applicable) and any information booklet provided by the Issuer for such purpose, and not convey or publish any information that is not contained in or entirely consistent with this Prospectus; and
 - (n) if it conveys or publishes any communication (other than this Prospectus or any other materials provided to such financial intermediary by or on behalf of the Issuer for the purposes of the Public Offer) in connection with the Public Offer, it will ensure that such communication (A) is fair, clear and not misleading and complies with the Rules, (B) states that such financial intermediary has provided such communication independently of the Issuer, that such financial intermediary is solely responsible for such communication and that none of the Issuer, the Charity and the Manager accepts any responsibility for such communication and (C) does not, without the prior written consent of the Issuer, the Charity or the Manager (as applicable), use the legal or publicity names of the Issuer, the Charity or the Manager or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest, except to describe the Issuer as issuer of the relevant Bonds on the basis set out in this Prospectus,
- (2) agrees and undertakes to indemnify each of the Issuer, the Charity and the Manager (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel’s fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer, the Charity or the Manager; and
- (3) agrees and accepts that:
- (a) the contract between the Issuer, the Charity and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer’s and the Charity’s offer to use this

Prospectus with its consent in connection with the Public Offer (the “**Authorised Offeror Contract**”), and any non- contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;

- (b) subject to (e) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Authorised Offeror Contract (including any dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) (a “**Dispute**”) and the Issuer, the Charity and the financial intermediary submit to the exclusive jurisdiction of the English courts;
- (c) for the purposes of (3)(b) and (d), the financial intermediary waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any dispute;
- (d) to the extent allowed by law, the Issuer, the Charity and the Manager may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions; and
- (e) the Charity, and the Manager will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit, including the agreements, representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms.

PUBLIC OFFERS: ISSUE PRICE AND OFFER PRICE

The Bonds will be issued by the Issuer at the Issue Price of 100 per cent. The Issue Price has been determined by the Issuer in consultation with the Manager. The offer price at which the Authorised Offerors will offer the Bonds to an Investor will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Bonds to such Investor. The Issuer is not party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Bonds to such Investor.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFERS OF BONDS GENERALLY

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. The Issuer, the Charity, the Trustee, the Servicer and the Manager do not represent that this Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Charity, the Trustee, the Servicer or the Manager which is intended to permit a public offering of any Bonds or distribution of this Prospectus in any jurisdiction other than the United Kingdom, Jersey, Guernsey and the Isle of Man. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States, the European Economic Area (including the United Kingdom), Jersey, Guernsey and the Isle of Man – see Section 9 (“*Subscription and Sale*”) in this Prospectus.

The Bonds may not be a suitable investment for all investors. Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"). Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States or to, or for the account of, US persons (see Section 9 ("*Subscription and Sale*") in this Prospectus).

In certain circumstances, investors may also hold interests in the Bonds through CREST through the issue of CDIs representing interests in Underlying Bonds. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Bonds nor any rights attached to the Bonds will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. CDI Holders will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

A

APPENDIX A

DEFINED TERMS INDEX

The following is an index that indicates the location in this Prospectus where certain capitalised terms have been defined.

£	17	Manager	6, 37, 65, 81, 88
€	99	Markets in Financial Instruments Directive	6
Account Bank	78	Master Trust Deed	86
Agent	11	Offer Period	6, 65
APMs	46	ORB	20, 36, 84
Authorised Offeror	65	Paying Agent	35
Authorised Offeror Contract	95	Prospectus	2, 6, 25, 66, 75, 81, 91
Authorised Offeror Terms	91, 92	Prospectus Directive	88
Authorised Offerors	6, 90	Public Offer	6, 90, 91
Board	47	Registrar	11
Bondholders	13, 25, 69	Retained Advance	13
Bonds	2, 6, 17, 25, 53, 65, 77, 81, 84, 88, 91	Retained Bond Actual Advance Amount	13
CDI Holders	37	Retained Bonds	2, 54
CDIs	37, 85	RPI	28
Charged Assets	33	Rules	92
Charity	2, 3, 6, 7, 25, 53, 65, 77, 84, 88	SDRT	70
Charity Deed	48	Securities Act	96
Charity SORP	42	Securitisation Regulations	35
Commitment Agreement	22	Servicer	11, 26, 65, 74, 77, 88
CPI	28	Services Agreement	26
CREST	37, 85	Special Share	10, 75
CREST Deed Poll	37	Specific Consent	90
CREST Depository	37	sterling	99
CREST International Settlement Links Service	37	Sterling Make-Whole Redemption Amount	62
CREST Manual	37	Subscription Agreement	22, 66
Custody Agreement	54	Supplemental Trust Deed	86
Dispute	95	Touchstone	20, 28
DLL	32	Trust Deed	86
Dolphin	25, 39	Trustee	11, 26, 56, 65, 77, 82, 88
Dolphin Trustee	7	Underlying Bonds	37
Elements	6	WHOA	41
Employer's Agent	50		
Euro	99		
Expected Maturity Date	19, 33, 62		
FCA	2, 92		
foreign passthru payments	71		
FRS 102	42		
FSCS	3, 33		
General Consent	91		
Group	8, 25		
HMRC	69		
Holdings	10		
IGAs	71		
Initial Accounts	75		
Initial Advance	13		
Investor	92		
Investor's Currency	36		
ISA	70		
ISA Regulations	70		
ISIN	17		
Issuance Facility	86		
Issuance Facility Agreement	86		
Issue Date	2, 13, 66, 84		
Issue Price	65		
Issue Size Announcement	2, 54, 66, 84		
Issuer	2, 3, 6, 7, 25, 53, 65, 77, 81, 84, 88, 91		
Legal Maturity Date	19, 33, 62		
Loan	13		
Loan Agreement	2, 13, 25, 53, 66, 77, 84		

All references in this Prospectus to “**sterling**” and “**£**” refer to the lawful currency of the United Kingdom. All references in this Prospectus to “Euro” and “**€**” are to the currency introduced at the start of the European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

References to the singular in this document shall include the plural and *vice versa*, where the context so requires. All references to time in this Prospectus are to London time.

B

APPENDIX B

TERMS AND CONDITIONS OF THE BONDS

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds which will be incorporated by reference into each Global Bond (as defined below) and each certificate representing definitive Bonds, if issued.

This Bond is one of a Series (as defined below) of Bonds issued by Retail Charity Bonds PLC (the “**Issuer**”) constituted by a Master Trust Deed dated 26 June 2014 (as modified and/or supplemented and/or restated from time to time, the “**Master Trust Deed**”) as supplemented by a Supplemental Trust Deed dated 6 July 2017 (the “**Supplemental Trust Deed**”), in each case made between the Issuer and Prudential Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as Trustee). The Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time in respect of the Bonds, is referred to in these Conditions as the “**Trust Deed**”.

References herein to the “**Bonds**” shall be references to the Bonds of this Series and shall mean:

- (a) for so long as such Bonds are represented by a global Bond (a “**Global Bond**”), units of each Specified Denomination in Sterling; and
- (b) such Global Bond.

The Bonds have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 26 June 2014 and made between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as issuing and principal paying agent (the “**Agent**”, which expression shall include any successor agent), The Bank of New York Mellon, London Branch as registrar (the “**Registrar**”, which expression shall include any successor registrar and together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), and a transfer agent and the other transfer agents named therein (together with the Registrar, the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents). The Agent, the Paying Agents, the Registrar and the Transfer Agents together are referred to in these Conditions as the “**Paying and Transfer Agents**”.

Any reference to “**Bondholders**” or “**holders**” in relation to any Bonds shall mean the persons in whose name the Bonds are registered and shall, in relation to any Bonds represented by a Global Bond, be construed as provided below. The Trustee acts for the benefit of the holders for the time being of the Bonds in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means a tranche of bonds issued by the Issuer and constituted by the Trust Deed (including any supplemental trust deed supplemental thereto) which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of bonds issued by the Issuer together with any further Tranche or Tranches of bonds issued by the Issuer which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective issue dates, interest commencement dates and/or issue prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office of the Issuer, the principal office for the time being of the Trustee, being at Laurence Pountney Hill, London EC4R 0HH, and at the specified office of each of the Paying Agents, the Registrar and the other Transfer Agents. The Bondholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided

that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail.

1. DEFINITIONS

In these Conditions:

“**Account Agreement**” means the account agreement dated 26 June 2014 and made between the Issuer, the Trustee, the Administration Services Provider, the Loan Management Servicer and the Account Bank;

“**Account Bank**” means National Westminster Bank plc as account bank pursuant to the Account Agreement or any successor account bank appointed thereunder;

“**Accrual Date**” has the meaning given to it in Condition 8.3;

“**Administration Services Provider**” means Allia Impact Finance Ltd. pursuant to the Services Agreement or any successor administration services provider appointed thereunder;

“**Adjusted Rate of Interest**” has the meaning given to it in Condition 8.4;

“**Appointee**” means any attorney, manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Trustee under the Trust Deed;

“**Arrangement Fee**” has the meaning given to it in the Loan Agreement;

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in London;

“**Charity**” means The Dolphin Square Charitable Foundation;

“**Clearstream, Luxembourg**” has the meaning given to it in Condition 2;

“**Charged Assets**” has the meaning given to it in Condition 5;

“**Code**” has the meaning given to it in Condition 9.3;

“**Commitment Agreement**” means a commitment agreement entered into between, *inter alios*, the Issuer and the Charity for the purpose of confirming the terms upon which the Issuer will make the Loan available to the Charity;

“**Custodian**” means The Bank of New York Mellon, London Branch in its capacity as bond custodian in respect of the Retained Bonds (or any successor or replacement custodian thereto);

“**Custody Agreement**” means the custody agreement dated the Issue Date between the Issuer and the Custodian (or such other custody agreement entered into from time to time between the Issuer and the Custodian) in respect of the Retained Bonds;

“**Day Count Fraction**” has the meaning given to it in Condition 8.3;

“**Deferred Principal**” has the meaning given to it in Condition 10.3;

“**Designated Account**” has the meaning given to it in Condition 9.2;

“**Designated Bank**” has the meaning given to it in Condition 9.2;

“**Event of Default**” has the meaning given to it in Condition 13.1;

“**Euroclear**” has the meaning given to it in Condition 2;

“**Exchange Event**” has the meaning given to it in Condition 2;

“**Expected Maturity Date**” has the meaning given to it in Condition 10.1;

“**Expense Reserve Account**” means the account of the Issuer established with National Westminster Bank plc for payment of expenses incurred by the Issuer in connection with, *inter alia*, the issue of the Bonds;

“**FA Selected Bond**” means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Bonds that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Bonds and of a comparable maturity to the remaining term of the Bonds;

“**Final Redemption Amount**” has the meaning given to it in Condition 10.1;

“**Financial Adviser**” means an independent financial adviser acting as an expert selected by the Issuer and approved in writing by the Trustee;

“**Gross Redemption Yield**” means, with respect to a security, the gross redemption yield on such security, expressed as a percentage and calculated by the Financial Adviser on the basis set out by the UK Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae “Conventional Gilts/Double dated and Updated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date” (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places) or on such other basis as the Trustee may approve;

“**Interest Commencement Date**” means the Issue Date;

“**Interest Deferred Amount**” has the meaning given to it in Condition 8.5;

“**Interest Payment Date**” means 6 January and 6 July in each year from (and including) the Issue Date up to (and including) the Expected Maturity Date or the Legal Maturity Date (as the case may be);

“**Interest Period**” means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each subsequent period from (and including) an Interest Payment Date to (but excluding) the next successive Interest Payment Date;

“**Interest Residual Amount**” has the meaning given to it in Condition 8.5;

“**Issuance Facility**” means the facility established by the Issuer for the purposes of issuing bonds (such as the Bonds) under the Issuance Facility Agreement and Master Trust Deed and on-lending the proceeds thereof to charities (such as the Charity) from time to time;

“**Issuance Facility Agreement**” means the agreement relating to the Issuance Facility entered into between the Issuer and the dealers from time to time appointed in respect of the Issuance Facility, as amended and/or supplemented and/or restated from time to time;

“**Issuance Facility Amount**” means the maximum aggregate nominal amount of bonds which are permitted to be outstanding under the Master Trust Deed at any one time, which as at the Issue Date is

£1,000,000,000 and which may be increased or decreased from time to time as provided in the Issuance Facility Agreement;

“**Issuance Facility Documents**” means (i) the Loan Agreement, (ii) any other loan agreements entered into in relation to any other bonds issued by the Issuer pursuant to the Master Trust Deed, (iii) the Master Trust Deed, (iv) the Supplemental Trust Deed, (v) any other supplemental trust deeds entered into in connection with the Master Trust Deed from time to time, (vi) the Agency Agreement, (vii) the Account Agreement, (viii) the Issuance Facility Agreement, (ix) the Services Agreement and (x) any Commitment Agreement;

“**Issue Date**” means 6 July 2017;

“**Legal Maturity Date**” has the meaning given to it in Condition 10.3;

“**Loan**” means the loan granted by the Issuer to the Charity on the terms of the Loan Agreement;

“**Loan Agreement**” means the Loan Agreement to be dated on or around the Issue Date and entered into between the Issuer and the Charity in connection with the Loan;

“**Loan Management Servicer**” means Allia Impact Finance Ltd. pursuant to the Services Agreement or any successor loan management servicer appointed thereunder;

“**Optional Loan Prepayment Date**” has the meaning given to it in Condition 10.2;

“**Origination Manager**” means Allia Impact Finance Ltd. pursuant to the Services Agreement or any successor origination manager appointed thereunder;

“**Payment Day**” has the meaning given to it in Condition 9.5;

“**Post-Enforcement Priority of Payment**” has the meaning given to it in Condition 6.2;

“**Pre-Enforcement Priority of Payment**” has the meaning given to it in Condition 6.1;

“**Rate of Interest**” has the meaning given to it in Condition 8.1;

“**Reference Date**” will be set out in the relevant notice of redemption pursuant to Condition 10.2;

“**Register**” has the meaning given to it in Condition 2;

“**Relevant Date**” has the meaning given to it in Condition 12;

“**Retained Bonds**” means the Bonds purchased by the Issuer on the Issue Date and held pursuant to the Custody Agreement;

“**Secured Parties**” means the Trustee (for itself and the Bondholders), the Custodian, the Paying and Transfer Agents, the Administration Services Provider and the Loan Management Servicer;

“**Security**” has the meaning given to it in Condition 5;

“**Services Agreement**” means the services agreement entered into between the Issuer, the Origination Manager, the Administration Services Provider and the Loan Management Servicer dated 26 June 2014, as amended and/or supplemented and/or restated from time to time;

“**Specified Denomination**” has the meaning given to it in Condition 2;

“**Series Charged Account**” means the account of the Issuer established with National Westminster Bank plc, into which the Issuer shall deposit all payments of principal and interest received by it pursuant to the Loan Agreement prior to payment in accordance with Condition 6;

“**Sterling Make-Whole Redemption Amount**” has the meaning given to it in Condition 10.2;

“**Taxes**” has the meaning given to it in Condition 11; and

“**unpaid principal**” has the meaning given to it in Condition 10.3.

2. **FORM, DENOMINATION AND TITLE**

The Bonds are in registered form without coupons attached in Sterling and in denominations of £100 each (the “**Specified Denomination**”).

The Bonds will be issued outside the US in reliance on the exemption from registration provided by Regulation S under the Securities Act (“**Regulation S**”).

The Bonds will initially be represented by a global bond in registered form (a “**Global Bond**”). The Global Bond will be deposited with and registered in the name of a common nominee of, a common depository for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”).

Payments of principal, interest and any other amount in respect of the Global Bond will be made to or to the order of the person shown on the Register (as defined in this Condition 2 as the registered holder of the Global Bond). None of the Issuer, any Paying Agent, the Servicer, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Bond or for maintaining, supervising, investigating, monitoring or reviewing any records relating to such beneficial ownership interests.

Interests in the Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee. The Issuer will promptly give notice to Bondholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in part (iii) of the definition of “**Exchange Event**” above, the Issuer may also give notice to the Registrar requesting the exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

In the event that the Global Bond is required, in accordance with its terms, to be exchanged for definitive Bonds, such amendments shall be made to these Conditions, the Trust Deed and the Agency Agreement to reflect the exchange into definitive form as the Trustee may approve or require.

Subject as set out below, title to the Bonds will pass upon registration of transfers in the register of holders maintained by the Registrar (the “**Register**”) in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee and the Paying and Transfer Agents will (except as otherwise required by law) deem and treat the registered holder of any Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of the Global Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Bonds is represented by the Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Paying and Transfer Agents as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the registered holder of the Global Bond shall be treated by the Issuer, Trustee and any Paying and Transfer Agent as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the Global Bond and the expressions “**Bondholder**” and “**holder of Bonds**” and related expressions shall be construed accordingly.

Bonds which are represented by the Global Bond will be transferable only in book-entry form in Euroclear and Clearstream, Luxembourg in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system in which the Bonds may be cleared from time to time and approved by the Issuer, the Agent and the Trustee.

In determining whether a particular person is entitled to a particular nominal amount of Bonds as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

The Retained Bonds will be purchased by and held by or for the account of the Issuer following issue and may be sold or otherwise disposed of in whole or in part by private treaty at any time, and shall cease to be Retained Bonds to the extent of and upon such sale or disposal.

Retained Bonds shall, pending sale or disposal by the Issuer, carry the same rights and be subject in all respects to the same Conditions as the other Bonds, except that the Retained Bonds will not be treated as outstanding for the purposes of determining quorum or voting at meetings of Bondholders or of considering the interests of the Bondholders save as otherwise provided in the Trust Deed. Bonds which have ceased to be Retained Bonds shall carry the same rights and be subject in all respects to the same Conditions as the other Bonds.

3. TRANSFERS OF BONDS

3.1 Transfers of interests in the Global Bond

Transfers of beneficial interests in the Global Bond will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. Bonds, including beneficial book-entry interests in the Global Bond, will, subject to compliance with all applicable legal and regulatory restrictions, be transferable only in whole multiples of the Specified

Denomination and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

3.2 Costs of registration

Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer of Bonds acquired by them, with two exceptions. These exceptions are:

1. any costs or expenses of delivery other than by regular uninsured mail; and
2. that the Issuer or the Paying or Transfer Agents may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that is imposed in relation to the registration.

4. STATUS OF THE BONDS

The Bonds are direct, unsubordinated limited recourse obligations of the Issuer, are secured in the manner set out in Condition 5, and rank *pari passu* among themselves.

5. SECURITY

The Issuer's obligations in respect of the Bonds are secured (subject as provided in these Conditions and the Master Trust Deed) pursuant to the Trust Deed in favour of the Trustee for the benefit of itself and the Bondholders and the other Secured Parties as follows:

- (a) by an assignment by way of security of the Issuer's rights, title and interest, present and future, arising under the Loan Agreement and the Commitment Agreement;
- (b) by a charge by way of first fixed charge over all the Issuer's rights, title and interest, present and future, in and to all sums of money standing to the credit of the Series Charged Account, together with all interest accruing from time to time thereon (if any) and the debts represented thereby;
- (c) by an assignment by way of security of the Issuer's rights, title and interest, present and future, arising under the Agency Agreement, the Account Agreement (excluding so far as it relates to the Expense Reserve Account or the Issuer Profit Account) and the Services Agreement, in each case to the extent it relates to the Bonds; and
- (d) by a charge by way of first fixed charge over all sums held from time to time by the Paying Agents for the payment of principal or interest in respect of the Bonds.

The property charged and assigned pursuant to the Trust Deed listed in paragraphs (a) to (d) above, together with any other property or assets held by and/or assigned to the Trustee and/or any deed or document supplemental thereto, in each case to the extent that they relate to the Bonds, is referred to herein as the "**Charged Assets**" and the security created thereby, the "**Security**".

The Security shall become enforceable upon (i) the Bonds becoming due and repayable pursuant to Condition 13.1 or (ii) subject to Condition 10.3, any failure for any reason of the Issuer to repay the Bonds when due.

6. ORDER OF PAYMENTS

6.1 Pre-Enforcement

Prior to the enforcement of the Security, the Issuer shall apply the monies standing to the credit of the Series Charged Account, on each Interest Payment Date up to, and including, the Expected Maturity Date (and, if the Bonds are not redeemed in full on the Expected Maturity Date, each Interest Payment Date up to, and including, the Legal Maturity Date) and such other dates on which payment is due in respect of the Bonds in the following order of priority (the “**Pre-Enforcement Priority of Payment**”):

- (a) first, in payment or satisfaction of any amounts of Arrangement Fee due and payable to the Issuer to the extent that such amounts have not been paid by the Charity under the Loan Agreement;
- (b) secondly, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;
- (c) thirdly, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and any other amounts due and payable in respect of the Bonds; and
- (d) fourthly, any excess to be deposited in the Expense Reserve Account.

6.2 Post-Enforcement

Following the enforcement of the Security, the net proceeds of enforcement of the Security shall be applied in the following order of priority (the “**Post-Enforcement Priority of Payment**”):

- (a) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities due to the Trustee, any Appointee or any receiver under the Master Trust Deed (including the costs of realising any Security and the Trustee’s and such receiver’s remuneration), together with (if payable) any amount in respect of VAT payable thereon as provided for therein, insofar as they relate to the enforcement of the provisions of the Bonds and/or the related Loan;
- (b) secondly, in payment of any unpaid fees, costs, charges, expenses and liabilities due to (i) the Paying and Transfer Agents and/or (ii) the Custodian (together with (if payable) any amount in respect of VAT payable thereon as provided for in the Agency Agreement) insofar as they relate to the Bonds and/or the Retained Bonds, as applicable, and such unpaid fees, costs, charges, expenses and liabilities are not otherwise paid out of the Expense Reserve Account;
- (c) thirdly, in payment of any unpaid fees, costs, charges, expenses and liabilities incurred by the Loan Management Servicer or the Administration Services Provider (together with (if payable) any amount in respect of VAT payable thereon as provided for in the Services Agreement) insofar as they relate to the enforcement of the provisions of the Bonds and/or the related Loan;
- (d) fourthly, in payment of an amount equal to any amounts in respect of Arrangement Fee which are due but unpaid by the Charity under the Loan Agreement to be credited to the Expense Reserve Account, provided however that if some or all of such Arrangement Fees are subsequently paid by the Charity then such amounts shall be applied in accordance with paragraphs (e) to (g) below rather than being deposited into the Expense Reserve Account;
- (e) fifthly, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any interest due and payable in respect of the Bonds;

- (f) sixthly, in payment, on a *pro rata* and *pari passu* basis, to the Bondholders of any principal and any other amounts due and payable in respect of the Bonds; and
- (g) seventhly, any excess to be deposited in the Expense Reserve Account.

7. COVENANTS

So long as any of the Bonds remain outstanding, the Issuer covenants that it will not, without the consent of the Trustee:

- (a) engage in any activity or do anything other than: issue bonds under the Issuance Facility, subject always to the Issuance Facility Amount prevailing from time to time; on-lend the proceeds of the issue of such bonds to charities; perform its obligations under the Issuance Facility Documents; and perform any act incidental to or necessary in connection with the aforesaid at all times in accordance with its constitutional documents;
- (b) have any employees or subsidiary companies, act as director of any other entity, consolidate or merge with any other person, convey or transfer its properties or assets substantially as an entirety to any person (save as provided in the Master Trust Deed), give any guarantee or indemnity or create or permit to subsist, over any of the security constituted by or created pursuant to the Trust Deed, any mortgage or charge or any other security interest over its assets other than pursuant to the Master Trust Deed or any Supplemental Trust Deed;
- (c) pay any dividend or make any other distribution to its shareholders or issue any further shares;
- (d) apply to become part of any group for the purposes of section 43 to 43D of the VAT Act 1994 with any other company or group of companies, or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the VAT Act 1994, unless required to do so by law;
- (e) take any action which would lead to the dissolution, liquidation or winding-up of itself (including, without limitation, the filing of documents with the court or the service of a notice of intention to appoint an administrator) or to the amendment of its constitutional documents or to the impairment of the rank, validity and effectiveness of any security created pursuant to the Master Trust Deed; or
- (f) prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Securitisation Regulations.

8. INTEREST

8.1 Rate of Interest

Each Bond bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at a rate of 4.25 per cent. per annum (the “**Rate of Interest**”). Interest will be payable semi-annually in arrear on each Interest Payment Date and the amount of interest payable in respect of the Bonds on each Interest Payment Date will be £2.125 per Bond of Specified Denomination.

8.2 Accrual of interest

Interest shall cease to accrue on each Bond from the due date for its redemption unless payment of principal on such Bond is improperly withheld or refused. In such event, interest will continue to accrue at the Rate of Interest as provided in the Trust Deed.

8.3 Calculation of broken interest amounts

If interest is required to be paid in respect of any accrual period which is less than a full Interest Period, the amount of interest payable in respect of such accrual period shall be calculated by applying the Rate of Interest to the aggregate outstanding nominal amount of the Bonds represented by the Global Bond, multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest one penny, half of a penny being rounded upwards.

“**Day Count Fraction**” means the actual number of days in the period from (and including) the date from which interest begins to accrue (the “**Accrual Date**”) to (but excluding) the date on which it falls due divided by twice the actual number of days from (and including) the Accrual Date to (but excluding) the next following Interest Payment Date.

8.4 Adjustment of Rate of Interest

If payment of principal is deferred in accordance with Condition 10.3, the Rate of Interest will be increased by an additional 1.00 per cent. per annum (such Rate of Interest as increased pursuant to this Condition 8.4 the “**Adjusted Rate of Interest**”) from, and including, the Expected Maturity Date to, but excluding, the Legal Maturity Date. The Issuer shall give notice of such increase to the Bondholders in accordance with Condition 16.

8.5 Deferral of interest in respect of withholding tax

To the extent that the Charity is required to pay interest to the Issuer under the Loan Agreement subject to a deduction or withholding for or on account of any tax and, as a result of such deduction or withholding, the amount standing to the credit of the Series Charged Account as being available to the Issuer on an Interest Payment Date after deducting the amounts referred to in paragraph (a) of the Pre-Enforcement Priority of Payment (such amount being the “**Interest Residual Amount**”) is insufficient to satisfy in full the aggregate amount of interest which is due in respect of the Bonds on such Interest Payment Date (including amounts which have previously been deferred under this Condition 8.5), there shall instead be due and payable on such Interest Payment Date by way of interest on the Bonds the Interest Residual Amount.

Any shortfall equal to the amount by which the aggregate amount of interest paid on the Bonds on any Interest Payment Date in accordance with this Condition 8.5 falls short of the aggregate amount of interest which is due in respect of the Bonds on such Interest Payment Date (an “**Interest Deferred Amount**”) shall become due and payable on the next following Interest Payment Date, subject to this Condition 8.5. This Condition 8.5 shall cease to apply on the earlier of (i) the Legal Maturity Date; (ii) the date on which the Bonds are redeemed and (iii) the date on which the Issuer is wound up, at which time all Interest Deferred Amounts shall become due and payable. To the extent that the Issuer is or may be entitled to a refund of tax so deducted or withheld, it must use reasonable endeavours to obtain such refund.

For the avoidance of doubt this Condition 8.5 shall not apply to any shortfall or insufficiency in the amounts available to satisfy in full the aggregate amount of interest which is due in respect of the Bonds other than arising as a result of a withholding or deduction for or on account of tax in respect of amounts due from the Charity to the Issuer under the Loan Agreement.

9. PAYMENTS

9.1 Method of payment

Subject as provided below, payments will be made by credit or transfer to a Sterling account maintained by the payee with a bank in London or by cheque in Sterling drawn on a bank in London.

9.2 Payments in respect of the Global Bond

Payments of principal in respect of each Bond represented by the Global Bond will (subject as provided below) be made against presentation and surrender of the Global Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Global Bond appearing in the Register at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, “**Designated Account**” means the account maintained by a holder with a Designated Bank and identified as such in the Register, and “**Designated Bank**” means a bank in London.

Payments of interest in respect of each Bond represented by the Global Bond will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Global Bond appearing in the Register at the close of business on the business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date.

9.3 Payments subject to Fiscal and Other Laws

Payments on the Bonds will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental agreement in relation thereto.

9.4 General provisions applicable to payments

The holder of the Global Bond shall be the only person entitled to receive payments in respect of Bonds represented by the Global Bond and payment by or on behalf of the Issuer to, or to the order of, such holder of the Global Bond will discharge the Issuer’s obligations in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Bonds represented by the Global Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by or on behalf of the Issuer to, or to the order of, the holder of such Global Bond.

None of the Issuer, the Trustee, the Origination Manager, the Loan Management Servicer, the Administration Services Provider or the Paying or Transfer Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Bond or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

9.5 Payment Day

If the date for payment of any amount in respect of any Bond is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “**Payment Day**” means any day which (subject to Condition 12) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

9.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include, as applicable:

- (a) the Final Redemption Amount of the Bonds;
- (b) the Sterling Make-Whole Redemption Amount of the Bonds; and
- (c) any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Bonds.

10. REDEMPTION AND PURCHASE

10.1 Redemption at maturity

Subject to Condition 10.3, unless previously redeemed or purchased and cancelled as specified below, each Bond will be redeemed on 6 July 2026 (the “**Expected Maturity Date**”) in Sterling by the Issuer at their principal amount outstanding (the “**Final Redemption Amount**”) together with accrued but unpaid interest to (but excluding) the Expected Maturity Date.

No payments of principal under the Bonds shall be made prior to the Expected Maturity Date except on an early redemption of the Bonds in accordance with Condition 10.2 or upon the Bonds becoming due and payable in accordance with Condition 13.

10.2 Redemption following prepayment of the Loan at the option of the Charity

If, in accordance with the Loan Agreement, the Charity elects to prepay the Loan as and when permitted to do so at a time prior to the repayment date specified in the Loan Agreement, then the Issuer will redeem all, but not some only, of the Bonds on the date which is two Business Days after the Optional Loan Prepayment Date and, for the avoidance of doubt, all Retained Bonds shall be cancelled.

In these Conditions, “**Optional Loan Prepayment Date**” means any date on which the Charity prepays the Loan under the Loan Agreement.

Each Bond redeemed pursuant to this Condition 10.2 will be redeemed in Sterling by the Issuer at the Sterling Make-Whole Redemption Amount.

In these Conditions “**Sterling Make-Whole Redemption Amount**” means an amount which is equal to the higher of (i) 100 per cent. of the outstanding principal amount of the Bonds to be redeemed and (ii) the outstanding principal amount of the Bonds to be redeemed multiplied by the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on such Bonds on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 11.00 a.m. on the Reference Date of the FA Selected Bond, plus 0.50 per cent., all as determined by the Financial Adviser plus, in each case, any accrued interest on the Bonds to, but excluding, the Optional Loan Prepayment Date.

The Issuer will give not less than 15 nor more than 30 days’ notice to the Trustee and the Agent and, in accordance with Condition 16, the Bondholders (which notice shall be irrevocable), prior to the date of redemption of the Bonds pursuant to this Condition 10.2.

10.3 Deferral of principal

In the event that the Charity elects not to pay in full the amount of principal otherwise due on the Loan on the Expected Maturity Date in accordance with the terms of the Loan Agreement (the “**unpaid principal**”), the total principal amount otherwise due and payable on each Bond that is referable to the unpaid principal under the Loan (as calculated by a Financial Adviser) shall be deemed not to be due and payable on the Expected Maturity Date and such amount shall instead be deferred in accordance with this Condition 10.3 (the “**Deferred Principal**”).

Amounts in respect of Deferred Principal shall become due and payable on 6 July 2028 (the “**Legal Maturity Date**”). Interest shall continue to accrue on Deferred Principal in accordance with Condition 8 until the date on which such Deferred Principal is paid.

Notice of the application of this Condition 10.3 (including the amount of any unpaid principal and the subsequent receipt of any unpaid principal) shall be given by the Issuer to the Trustee, the Registrar, the Paying Agents, any stock exchange on which the Bonds are for the time being listed and, in accordance with Condition 16, the Bondholders, as promptly as practicable in the circumstances.

10.4 Purchases

The Issuer may not at any time purchase Bonds other than the Retained Bonds.

The Charity may at any time purchase Bonds in the open market or otherwise at any price, provided that, following any such purchase, the Charity shall surrender the Bonds to or to the order of the Issuer for cancellation. A principal amount equal to the principal amount of the Bonds being surrendered shall be deemed to be prepaid under the Loan Agreement (but, for the avoidance of doubt, without triggering a redemption under Condition 10.2).

If the Charity purchases any Bonds pursuant to this Condition 10.4, the Issuer shall cancel all Retained Bonds.

10.5 Cancellation

All Bonds which are redeemed, or purchased by the Charity and surrendered for cancellation, will forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Agent and cannot be reissued or resold.

The Issuer may cancel any Retained Bonds held by it or on its behalf at any time following a request by the Charity, pursuant to the Loan Agreement, to cancel a corresponding amount of the undrawn portion of the Commitment (as defined in the Loan Agreement).

11. TAXATION

All payments in respect of the Bonds by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the relevant Paying Agent shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer nor any Paying Agent shall be obliged to make any additional payments to Bondholders in respect of such withholding or deduction.

12. PRESCRIPTION

Claims in respect of principal and interest in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date therefor.

For these purposes, the “**Relevant Date**” means a day on which such payment first becomes due, except that, if the full amount of the moneys payable has not been received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to Bondholders in accordance with Condition 16.

13. EVENTS OF DEFAULT AND ENFORCEMENT

13.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding (excluding the Retained Bonds) or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its absolute satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) and (d) to (f) inclusive below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice in writing to the Issuer that each Bond is, and each Bond shall thereupon immediately become, due and repayable at the Final Redemption Amount together with accrued but unpaid interest as provided in the Trust Deed (and the Security shall thereupon become enforceable) if any of the following events (each an “**Event of Default**”) shall occur:

- (a) if default is made (subject as provided in Condition 10.3) in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of six days in the case of principal and five days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed, insofar as they relate to the Bonds, and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, or the Issuer stops payment of, or is unable to pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (e) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking

or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days;

- (f) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (g) if (subject as provided in Condition 10.3) a default under the Loan Agreement is not remedied within 30 days of the occurrence thereof.

13.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other action or steps (including lodging an appeal in any proceedings) against or in relation to the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Bonds and/or (to the extent that they relate to the Bonds or otherwise) any of the other Issuance Facility Documents and at any time after the Security becomes enforceable the Trustee may take the action specified in the Trust Deed to enforce the same, but it shall not be bound to take any such proceedings or other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding (excluding the Retained Bonds) and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Bondholder shall be entitled to (i) take any steps or action against the Issuer to enforce the performance of any of the provisions of the Trust Deed, the Bonds and/or (to the extent that they relate to the Bonds) the Issuance Facility Documents or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer unless the Trustee, having become bound so to take such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

13.3 Limited Recourse

Notwithstanding any other Condition or any provision of any Issuance Facility Document, all obligations of the Issuer to the Bondholders are limited in recourse to the Charged Assets. If:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Trust Deed; and

- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Trust Deed, amounts outstanding under the Bonds (including payments of principal, premium and interest),

then the Bondholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium and/or interest in respect of the Bonds) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

In addition, none of the Bondholders or the other Secured Parties shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, reorganisation, arrangement, insolvency or liquidation proceedings or other proceedings under applicable bankruptcy or similar law in connection with any obligations of the Issuer relating to the issuance of the Bonds, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer and provided that the Trustee may enforce the Security and appoint an administrative or other receiver in accordance with the provisions of the Trust Deed.

14. REPLACEMENT OF BONDS

Should any Bond be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Registrar may reasonably require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

15. PAYING AND TRANSFER AGENTS

The names of the initial Paying and Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent or Transfer Agent and/or appoint additional or other Paying Agents and/or Transfer Agents and/or approve any change in the specified office through which any Paying Agent or Transfer Agent acts, provided that:

- (a) there will at all times be an Agent and a Registrar; and
- (b) so long as the Bonds are listed on any stock exchange or admitted to listing or trading by any other relevant authority, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Notice of any variation, termination, appointment or change in Paying Agents will be given to the Bondholders promptly by the Issuer in accordance with Condition 16.

In acting under the Agency Agreement, the Paying and Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Bondholders. The Agency Agreement contains provisions permitting any entity into which any Paying and Transfer Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying and/or, as the case may be, transfer agent.

16. NOTICES

For so long as all the Bonds are represented by the Global Bond and such Global Bond is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg, all notices regarding the Bonds will be deemed to be validly given if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Bonds and, in addition, for so long as any Bonds are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Bonds on the first Business Day following the day on which it is so delivered to Euroclear and/or Clearstream, Luxembourg.

17. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

17.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Bondholders holding not less than five per cent. in nominal amount of the Bonds for the time being remaining outstanding (excluding the Retained Bonds). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Bonds for the time being outstanding (excluding the Retained Bonds), or at any adjourned meeting one or more persons being or representing Bondholders whatever the nominal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds or the Trust Deed (including modifying the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Bonds for the time being outstanding (excluding the Retained Bonds), or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Bonds for the time being outstanding (excluding the Retained Bonds). The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-quarters of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in nominal amount of the Bonds for the time being outstanding (excluding the Retained Bonds) or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-quarters in nominal amount of the Bonds for the time being outstanding (excluding the Retained Bonds), shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders shall be binding on all the Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

17.2 Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Trust Deed or the Agency Agreement or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Bondholders and any

such modification shall be notified to the Bondholders in accordance with Condition 16 as soon as practicable thereafter.

17.3 Trustee to have regard to interests of Bondholders as a class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Bondholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders.

18. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Bondholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstances by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Bondholders to create and issue:

- (a) further Bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon, secured on the same assets (and any further loan that pursuant to which the proceeds of issue of such Bonds are on-lent to the Charity) and so that the same shall be consolidated and form a single Series with the outstanding Bonds; and/or
- (b) other bonds pursuant to the Issuance Facility on such terms and conditions as the Issuer may elect, subject to the terms of the Issuance Facility Agreements and provided that such other bonds are not secured upon the Charged Assets.

20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. GOVERNING LAW

The Trust Deed, the Agency Agreement, the Bonds and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, English law.

C

APPENDIX C

FORM OF THE BONDS

This following section sets out the legal form in which the Bonds will be issued, including that the legal title to the Bonds is expected to be held by a common depository on behalf of certain clearing systems and that investors will trade beneficial interests in the Bonds electronically in certain clearing systems.

FORM OF THE BONDS

General

Pursuant to the Agency Agreement (as defined in Appendix B (“*Terms and Conditions of the Bonds*”)), the Agent shall arrange that, where a further Tranche of Bonds is issued which is intended to form a single Series with the Bonds at a point after the Issue Date of the further Tranche, the Bonds of such further Tranche shall be assigned a common code and ISIN which is different from the common code and ISIN assigned to the Bonds until such time as such Tranche is consolidated with the Bonds to form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S) applicable to such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer, the Agent, the Registrar and the Trustee for the purposes of clearing the Bonds.

No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

CREST depository interests

In certain circumstances, investors may also hold interests in the Bonds through CREST through the issue of CDIs representing interests in Underlying Bonds. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). Neither the Bonds nor any rights attached to the Bonds will be issued, settled, held or transferred within the CREST system other than through the issue, settlement, holding or transfer of CDIs. CDI Holders will not be entitled to deal directly in the Bonds and, accordingly, all dealings in the Bonds will be effected through CREST in relation to the holding of CDIs. You should note that the CDIs are the result of the CREST settlement mechanics and are not the subject of this Prospectus.

D

APPENDIX D

LOAN AGREEMENT

The Issuer and the Charity will enter into a Loan Agreement substantially in the form set out below for the purposes of recording the Loan by the Issuer to the Charity of the proceeds of issue of the Bonds and the repayment of principal and payment of interest by the Charity in respect of such Loan.

THIS AGREEMENT is dated 6 July 2017 and is made

BETWEEN:

- (1) **THE DOLPHIN SQUARE CHARITABLE FOUNDATION**, registered in England as a registered charity with registration number 1110090, whose registered office is at 4th Floor, Belgrave Road, London SW1V 1RB (the **Charity**); and
- (2) **RETAIL CHARITY BONDS PLC**, as lender, a public limited company incorporated under the laws of England and Wales with company number 08940313, whose registered office is at 27/28 Eastcastle Street, London W1W 8DH (the **Lender**).

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

Accounting Standards means FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) or any other accounting principles adopted by the Charity or, as applicable, the Group, from time to time;

Adjusted Rate of Interest has the meaning given to that term in Condition 8.4;

Arrangement Fee means the sum of the following, without double counting:

- (a) an amount per annum equal to 0.1% of the total Outstanding Balance on the Issue Date, or, if there have been any Retained Advances, on the most recent Retained Advance Date (as may be adjusted by the Lender in accordance with Clause 3.1(b)); and
- (b) the fees, costs, charges, expenses and liabilities due to the Trustee together with any amount in respect of VAT payable thereon insofar as they relate to action to be taken by the Trustee in connection with a waiver, consent or amendment in relation to the provisions of the Bonds and/or this Agreement that has been requested by the Charity (including, for the avoidance of doubt, any such amounts which have been agreed between the Lender and the Trustee to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee pursuant to the Trust Deed insofar as they relate to the provisions of the Bonds and/or this Agreement); and
- (c) all fees, costs and expenses payable from time to time by the Lender in relation to or in connection with the Bonds, including those payable to any arranger, manager or dealer (including fees and commissions payable pursuant to any subscription agreement) (howsoever described) appointed in connection with the Bonds (including out of pocket and legal expenses of such arranger, manager or dealer and any amount of VAT payable thereon), any trustee, paying agent or other agent, transfer agent, registrar, calculation agent, account bank, the United Kingdom Listing Authority or any stock exchange (together with, in each case, any amount in respect of VAT payable thereon); and
- (d) all fees, costs and expenses payable by the Lender incurred pursuant to the Issuance Facility Documents and the Custody Agreement (as defined in the Conditions) (together with any

amounts of VAT payable thereon) including those payable to any bond trustee (but excluding those amounts payable pursuant to paragraph (b) of this definition), paying agent or other agent, transfer agent, registrar, calculation agent, account bank, the United Kingdom Listing Authority, custodian or any stock exchange; and

- (e) all fees, costs and expenses payable by (or on behalf of) the Issuer incurred, from time to time, in connection with producing and/or amending and/or replacing any document or documents required by Regulation (EU) No 1286/2014 (the **PRIPs** Regulation) including, without limitation, a key information document (as that term is used in the PRIIPs Regulation); and
- (f) all fees, costs and expenses (including in relation to any tax or legal advice) payable by the Lender incurred, from time to time, pursuant to the sale of any Retained Bonds or the making of any Retained Advances, together with any amounts of VAT payable thereon.

Authorisation means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration;

Bondholder has the meaning given to it in the Conditions;

Bonds means the 4.25% Bonds due 6 July 2026 issued by the Issuer on the Issue Date, including the Retained Bonds;

Business Day means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in London;

Cash means, at any time, the pounds sterling (and not, for the avoidance of doubt, any other currency) amounts described as bank and cash balances of the Group at such time (and provided such balances are not subject to any Security in favour of any other person);

Cash Equivalent Investments means at any time (a) direct obligations of the government of the United Kingdom or of any agency or instrumentality of the government of the United Kingdom which is guaranteed by the government of the United Kingdom; (b) demand and time deposits in, certificates of deposit of and bankers' acceptances issued by any bank or building society subject to, inter alia, such bank or building society having a credit rating for its senior unsecured obligations, in the case of a United Kingdom bank or building society (or any subsidiary or branch of such United Kingdom bank or building society), of not less than A from S&P and/or A2 from Moody's and/or A from Fitch, and, in the case of any other bank or building society, of not less than AA- from S&P and/or Aa3 from Moody's and/or AA- from Fitch; and (c) money market funds with a rating of AAA from S&P and Aaa from Moody's, beneficially owned, in each case, by any member of the Group at such time; provided that, in the case of (a) and (b) above, the maturity of such obligation at the time of purchase or deposit shall not be more than 365 days; in the case of (c) above, the relevant money market fund shall be capable of providing liquidity in no more than three Business Days; and, in all cases, such investment shall be denominated in pounds sterling; and further provided that, in each case, such assets are not subject to any Security in favour of any other person;

Code means the U.S. Internal Revenue Code of 1986;

Commitment means £●,000,000;

Commitment Agreement means the commitment agreement entered into between, among others, the Lender and the Charity dated on or around 3 July 2017;

Compliance Certificate means a certificate substantially in the form of Schedule 1 to this Agreement;

Conditions means the terms and conditions of the Bonds (in the form in place as at the Issue Date) as set out in Schedule 1 to the Supplemental Trust Deed;

Default means an Event of Default or a Potential Event of Default;

Deferred Loan has the meaning given to it in Clause 4.2;

Event of Default means any event or circumstance specified in Clause 10 (Events of Default);

Expected Maturity Date has the meaning given to it in the Conditions;

Extraordinary Resolution has the meaning given to it in the Trust Deed;

FATCA means Sections 1471 through 1474 of the Code (including any regulations thereunder or official interpretations thereof), intergovernmental agreements between the United States and other jurisdictions facilitating the implementation thereof, and any law implementing any such intergovernmental agreements;

FATCA Withholding means any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA;

Financial Covenant means any covenant or equivalent provision the primary purpose of which is to limit or measure financial indebtedness of the Charity by measuring it against equity, assets, total capital or operating surplus;

Financial Indebtedness means any indebtedness for or in respect of:

- (a) moneys borrowed;
 - (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
 - (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
 - (d) any amount raised as a result of a sale, transfer or disposal of any of its assets on terms whereby they are or may be leased to or reacquired by the Charity or a member of the Group, as the case may be;
 - (e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the relevant Accounting Standards, be treated as a finance or capital lease;
 - (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
 - (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
 - (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
 - (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- and

- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above;

Financial Statements means the audited financial statements of the Charity or, if applicable, the audited consolidated financial statements of the Group prepared in accordance with the Accounting Standards applicable to the Charity or, as applicable, the Group, for the relevant period;

Fitch means Fitch Ratings Limited or any of its affiliates;

Group means the Charity and any subsidiaries it may have from time to time;

Initial Advance has the meaning given to it in Clause 2.2;

Initial Rate of Loan Interest has the meaning giving to it in Clause 3.2(a);

Interest Payment Date means 6 January and 6 July in each year commencing on 6 January 2018 up to and including the Expected Maturity Date or, if the Outstanding Balance is not repaid in full pursuant to the terms of Clause 4.1 (Repayment on Expected Maturity Date), the Legal Maturity Date;

Investments and Work in Progress means the amounts described as (i) fixed asset investments and (ii) land and buildings under development, each as determined from the most recent Financial Statements;

Issue Date has the meaning given to that term in the Conditions;

Issuer means Retail Charity Bonds PLC;

Legal Maturity Date has the meaning given to it in the Conditions;

Loan means the aggregate principal amount of the Initial Advance and any Retained Advances made under this Agreement;

Loan Interest Period has the meaning given to it in Clause 3.2;

Loan Management Servicer means Allia Impact Finance Ltd.;

Master Trust Deed means the master trust deed dated 26 June 2014 between the Lender and the Trustee, as modified and/or supplemented and/or restated from time to time;

Maturity Date means the Expected Maturity Date or the Legal Maturity Date (as applicable);

Moody's means Moody's Investors Service Limited or any of its affiliates;

Outstanding Balance means the amount of the Loan less the aggregate of all amounts of principal paid or deemed to be paid by the Charity prior to such time;

Party means a party to this Agreement;

Person means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision therefor or any other entity;

Potential Event of Default means any event or circumstance specified in Clause 10 (Events of Default) which would (with the expiry of a grace period, the giving of notice or the making of any determination under this Agreement) be an Event of Default;

Properties means all estates or interests in any freehold, leasehold, heritable or other immovable property situated in the United Kingdom;

Prospectus means the prospectus dated 20 June 2017 for use in connection with the issue of the Bonds;

Purchase Date has the meaning given to it in Clause 5.2;

Purchase Price has the meaning given to it in Clause 5.2;

Rate of Interest has the meaning given to that term in the Conditions;

Rate of Loan Interest has the meaning given to it in Clause 3.2(a);

Relevant Credit Facility has the meaning given to it in Clause 9.1;

Retained Advance means the principal amount of the Retained Bonds sold, in whole or in part, and made available to the Charity on a Retained Advance Date as set out in the relevant Retained Advance Request form;

Retained Advance Date means such date on which the Lender makes an advance of the Retained Bond Actual Advance Amount to the Charity as set out in the relevant Retained Advance Request form;

Retained Advance Repeating Representations means each of the representations set out in Clause 4 (Representations and Covenants) of the Commitment Agreement other than Clauses 4.1(b) and 4.1(m).

Retained Advance Request means the further advance request in the form set out in Schedule 3 (Retained Advance Request) submitted by the Charity and agreed by the Lender from time to time pursuant to Clauses 2.3 and 2.4;

Retained Bond Actual Advance Amount means the gross sale proceeds of the Retained Bonds sold, in whole or in part, by the Issuer on a Retained Advance Date as set out in the relevant Retained Advance Request form;

Retained Bonds means the Bonds purchased by the Issuer on the Issue Date and held by or on behalf of the Issuer from time to time;

S&P means Standard & Poor's Credit Market Services Europe Limited or any of its affiliates;

Security means a mortgage, charge, pledge, lien, assignment, hypothecation or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

Sterling Make-Whole Redemption Amount has the meaning given to that term in the Conditions;

Supplemental Trust Deed means the supplemental trust deed dated as of the Issue Date between the Lender and the Trustee;

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

Testing Date means the last day of the financial year of the Group as per the Financial Statements;

Total Unsecured Debt means all unsecured Financial Indebtedness of the Group, as at the last day of each financial year of the Group, calculated by reference to the Financial Statements for such financial year;

Trust Deed means the Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time;

Trustee means Prudential Trustee Company Limited;

UK means the United Kingdom; and

Uncharged Property Value means the value of the Group's Unencumbered Properties and Investments and Work in Progress;

Unencumbered Properties means all Properties owned by the Group which are not subject to any Security in favour of any other person, as determined by reference to the Financial Statements;

VAT means any Tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other Tax of a similar nature whether imposed in a member state of the European Union in substitution for, or levied in addition to, such Tax referred to above or imposed elsewhere.

1.2 Interpretation

In this Agreement, except to the extent that the context requires otherwise:

- (a) references to a statute or statutory provision include that statute or provision as from time to time modified, re-enacted or consolidated;
- (b) use of the singular shall include the plural and vice versa;
- (c) headings are for ease of reference only and shall be ignored in interpreting this Agreement;
- (d) references to an agreement, deed, instrument, licence, code or other document (including this Agreement), or to a provision contained in any of these, shall be construed, at the particular time, as references to it as it may then have been amended, varied, supplemented, modified, suspended, assigned or novated;
- (e) the words "include" and "including" are to be construed without limitation;
- (f) a reference to a "judgment" includes any order, injunction, determination, award or other judicial or arbitral measure in any jurisdiction; and
- (g) a reference to any party to any agreement includes its successors in title, permitted assigns and permitted transferees.

2. LOAN

2.1 Loan

Subject to the terms of this Agreement, the Charity will borrow and the Lender will make available loans in an aggregate amount equal to the Commitment (subject to this Clause 2 and Clause 3.1 (Fees) and as from time to time reduced by prepayments in accordance with the terms hereof) on the Issue Date and on any Retained Advance Date.

- 2.2 On the Issue Date the Lender will make an advance of £●,000,000 in principal amount (the **Initial Advance**) to the Charity.
- 2.3 The Charity may request further advances under this Agreement by notifying the Lender in writing from time to time. Upon such notification, the Lender and the Charity shall enter into commercial discussions (for a period of not more than ten days) in good faith, in relation to the sale of the Retained Bonds, in whole or in part, with a view to agreeing commercial terms.
- 2.4 Subject to Clause 2.3 above, the Lender shall sell the Retained Bonds and make an advance in an amount equal to the Retained Bond Actual Advance Amount to the Charity on the Retained Advance Date, provided that:
- (a) any sale and advance shall be made at the absolute discretion of the Lender;
 - (b) the Lender has received appropriate tax and legal advice including advice that such sale of Retained Bonds and making of Retained Advances (i) would not be adverse to the rights and interests of the Bondholders or the Lender; and (ii) does not adversely impact the transaction as a whole;
 - (c) commercial terms (including identifying suitable purchasers of the Retained Bonds and the terms of such sale) have been agreed with the Charity and a duly completed Retained Advance Request has been submitted by the Charity to the Lender setting out the terms of such Retained Advance;
 - (d) the amount of the proposed Retained Advance must be for a minimum amount of £2,500,000;
 - (e) the proposed Retained Advance shall, immediately prior to the sale of the related Retained Bonds, be less than or equal to the Retained Bonds held by the Issuer at such time;
 - (f) the proposed Retained Advance shall be less than or equal to the Commitment then unutilised and not cancelled immediately prior to the making of such Retained Advance to the Charity;
 - (g) on such date, no Default is continuing or would result from the Retained Advance; and
 - (h) on such date, the Retained Advance Repeating Representations to be made by the Charity are true in all material respects in relation to it as at the Retained Advance Date as if made by reference to the facts and circumstances then existing. For the avoidance of any doubt, all references to the Issue Date in the Retained Advance Repeating Representations shall be construed as references to the Retained Advance Date.

2.5 Purpose

The Charity shall apply all amounts raised by it under the Loan for or in advancement of purposes which are charitable under English law.

3. PRICING

3.1 Fees

- (a) In consideration for the Lender making available to the Charity the Loan and performing its administrative functions in connection with the Loan under this Agreement, the Charity shall pay to the Lender the amounts under paragraph (a) of the definition of Arrangement Fee in advance in equal half-yearly instalments, commencing on the Issue Date, two Business Days prior to each Interest Payment Date (excluding the Expected Maturity Date, or the Legal Maturity Date if repayment of the

Outstanding Balance is deferred in accordance with Clause 4.2 (Repayment on Legal Maturity Date)), provided that, in the event the period from the Issue Date to the first Interest Payment Date is less or greater than six months, the Charity shall pay an amount pro rata for that period, as notified by the Lender to the Charity prior to the Issue Date.

- (b) On or after the first anniversary of the Issue Date, the Lender may adjust the amount set out in paragraph (a) of the definition of Arrangement Fee applicable from the next Interest Payment Date by notice in writing to the Charity on or about 31 August of each year with any percentage increase not exceeding the amount of percentage increase in the United Kingdom Retail Price Index for such year.
- (c) On the Issue Date and each Interest Payment Date, the Charity shall pay to the Lender the amounts in respect of paragraphs (b) and/or (c) and/or (d) and/or (e) of the definition of Arrangement Fee, to the extent such amounts are then due and payable.
- (d) On each Retained Advance Date, the Charity shall pay to the Lender the amount in respect of paragraphs (b) and/or (c) and/or (d) and/or (e) and/or (f) of the definition of Arrangement Fee, to the extent such amounts are due and payable.
- (e) The Charity and the Lender acknowledge and agree that the Charity's obligation to pay any amounts in respect of the Arrangement Fee may be satisfied by deducting such amounts from the amounts advanced by the Lender on or around the Issue Date in respect of the Loan.

3.2 Interest

- (a) Interest Rate:
 - (i) Following its advance on the Issue Date and on each Retained Advance Date, the rate of interest on the Loan up to but excluding the Expected Maturity Date is the Rate of Interest (the **Initial Rate of Loan Interest**).
 - (ii) The rate of interest on the Loan from and including the Expected Maturity Date to but excluding the Legal Maturity Date is the Adjusted Rate of Interest (together with the Initial Rate of Loan Interest, the **Rate of Loan Interest**).
- (b) Interest Payment Dates:
 - (i) The Charity shall pay an amount equal to the Rate of Loan Interest on the Interest Payment Date in arrear in equal half-yearly instalments.
 - (ii) The amount of interest payable by the Charity in respect of the Outstanding Balance for the period from and including each Interest Payment Date to but excluding the next Interest Payment Date (the **Loan Interest Period**) shall be calculated by applying the Rate of Loan Interest on the applicable date to the Outstanding Balance at the end of such Loan Interest Period, dividing the product by two and rounding the resulting figure to the nearest one penny (halfpenny being rounded upwards).
 - (iii) If interest is required to be calculated in respect of any other period, it shall be calculated on the basis of (i) the actual number of days from and including the first day of such period to but excluding the relevant payment date; (ii) divided by twice the actual number of days in the period from and including the most recent Interest Payment Date to but excluding the next Interest Payment Date and multiplying this by the Rate of Loan Interest and the Outstanding Balance.

3.3 **Default Interest**

Interest which is not paid when due shall accrue interest at the applicable Rate of Loan Interest specified in Clause 3.2 (Interest) from and including the due date for payment to but excluding the date on which such interest is paid.

3.4 **Payment Instructions**

The Charity agrees that it will make such payment instructions as are necessary to ensure the amounts that become due pursuant to this Clause 3 are paid to the Lender by 10am on the Business Day falling two Business Days prior to their becoming due.

4. **REPAYMENT**

4.1 **Repayment on Expected Maturity Date**

Subject to Subclause 4.2 (Repayment on Legal Maturity Date) and unless previously repaid pursuant to Clause 5 (Prepayment), the Charity must repay the Outstanding Balance in full on the Expected Maturity Date plus accrued but unpaid interest to but excluding the Expected Maturity Date.

4.2 **Repayment on Legal Maturity Date**

If the Charity so elects to extend the Expected Maturity Date, the Outstanding Balance shall be deemed not to be due and payable on such date and such amount shall instead be deferred for payment on the Legal Maturity Date (the **Deferred Loan**).

4.3 Interest shall continue to accrue on the Deferred Loan in accordance with Clause 3.2 (Interest) until the Legal Maturity Date.

4.4 The Deferred Loan shall become due and payable on the Legal Maturity Date plus accrued but unpaid interest to but excluding the Legal Maturity Date.

4.5 The Charity agrees that it will make such payment instructions as are necessary to ensure the amounts that become due pursuant to this Clause 4 are paid to the Lender by 10am on the Business Day falling two Business Days prior to their becoming due.

5. **PREPAYMENT**

5.1 **Optional Prepayment:** The Outstanding Balance may be prepaid in whole but not in part upon not more than 30 days' and not less than 15 days' notice (which notice shall be irrevocable) prior to the date of the proposed prepayment of the Outstanding Balance pursuant to this Clause 5 at the Sterling Make-Whole Redemption Amount plus interest accrued to but excluding the date of prepayment.

5.2 **Prepayment due to Purchase of Bonds:** If the Charity intends to purchase any Bonds in accordance with Condition 10.4 (Purchases), the Charity shall notify the Lender of the intended purchase date of the Bonds and the amount required for the purchases of such Bonds (the **Purchase Price**) and, upon the date of purchase and surrender of such Bonds to the Lender for cancellation of such Bonds in accordance with the Conditions (the **Purchase Date**), the Outstanding Balance shall be deemed to have been prepaid on the Purchase Date in an amount equal to the nominal amount of such Bonds (but, for the avoidance of doubt will not trigger any redemption of the Bonds under Condition 10.2).

5.3 The Charity shall not prepay all or any part of the Outstanding Balance except at the times and in the manner expressly provided for in this Agreement and shall not be entitled to re-borrow any amount repaid.

5.4 On the prepayment of the Outstanding Balance by the Charity under Clause 5.1 or 5.2, the Commitment which, at that time, is unutilised shall immediately be cancelled.

5.5 On cancellation of any Retained Bonds by the Issuer following a request by the Charity under Condition 10.5 (Cancellation), a corresponding amount of the Commitment which, at that time, is unutilised shall be immediately cancelled.

6. TAXES

6.1 The Charity shall make all payments made by it under this Agreement without any withholding or deduction unless required by applicable law and will take such reasonable steps as may be necessary from time to time to ensure that the gross amount of all payments due in respect of the Loan is paid to the Lender, free and clear of Taxes. For these purposes, the Lender confirms that it is a UK resident company.

6.2 All amounts expressed to be payable under this Agreement by the Charity which (in whole or in part) constitute the consideration for any supply for VAT purposes are exclusive of any VAT which is chargeable on that supply and, accordingly, if VAT is or becomes chargeable on any supply made by the Lender under this Agreement and the Lender is required to account to the relevant tax authority for the VAT, the Charity must pay to the Lender (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of that VAT (and the Lender must promptly provide an appropriate VAT invoice to the Charity).

6.3 Without prejudice to the generality of Clause 6.1 above, the Charity confirms that, it is a registered charity within the meaning of the Charities Act 2011 and on the basis of the confirmation made by the Lender in Clause 6.1 above, for the purposes of section 930(1)(b) Income Tax Act 2007, it has a reasonable belief that payments of interest to the Lender are "excepted payments" by virtue of section 933 Income Tax Act 2007. Accordingly, the Charity undertakes to pay interest to the Lender under this Agreement without deduction or withholding on account of UK Tax unless and until:

(a) (i) it obtains information indicating that the Lender does not satisfy the condition in section 933 Income Tax Act 2007 (and it hereby confirms that as at the date of this Agreement it has obtained no such information), in which case the Charity shall notify the Lender of the details of that information as soon as practicable, giving the Lender the opportunity to respond to that information; or

(ii) it receives a direction from an officer of Her Majesty's Revenue and Customs under section 931 Income Tax Act 2007 (and it hereby confirms that as at the date of this Agreement it has received no such direction) in relation to payments made by the Charity to the Lender under this Agreement, in which case the Charity shall immediately notify the Lender of the receipt of such direction, but if such notice is subsequently revoked, the Charity shall pay interest under this Agreement without deduction or withholding for or on account of UK Tax; and

(b) the Lender's usual place of abode is outside the United Kingdom.

6.4 Each Party shall, within ten Business Days of a reasonable request by the other Party, supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of the other Party's compliance with FATCA.

7. COVENANTS

7.1 Authorisations

The Charity shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation required under any law or regulation of its jurisdiction of incorporation to enable it to perform its obligations under this Agreement and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of this Agreement.

7.2 Compliance with Laws

The Charity shall comply in all respects with all laws to which it may be subject if failure to so comply would materially impair its ability to perform its obligations under this Agreement.

7.3 Tax Residency

The Charity represents that it is and has always been resident for Tax purposes only in the United Kingdom, and has not been and does not carry on business in any jurisdiction outside of the United Kingdom. The Charity shall do all that is necessary to remain resident for Tax purposes only in the United Kingdom and shall not carry on business in any jurisdiction outside of the United Kingdom.

7.4 Change of Business and Charitable Status

The Charity shall do all that is necessary to maintain its charitable status under English law and shall procure that no substantial change is made to the general nature of the activities of the Charity from that carried on at the date of this Agreement.

7.5 FATCA

The Charity will notify the Lender as soon as is practicable if the Charity is required to withhold or deduct in respect of any FATCA Withholding in relation to any payment under this Agreement.

7.6 Limitations on Permitted Activities

Neither the Charity nor any member of the Group shall engage in any business unless such business falls within the charitable objects set out in the Charity's constitutional documents and is not materially prejudicial to the Lender.

8. INFORMATION COVENANTS

The undertakings in this Clause 8 remain in force from the date of this Agreement for so long as any amount is outstanding under this Agreement.

8.1 Financial Statements

The Charity shall supply to the Lender as soon as the same become available, but in any event within 180 days of the end of each of its financial years, its audited annual report and accounts for that financial year (consolidated if appropriate).

8.2 Compliance Certificate

- (a) The Charity shall supply to the Lender, with each audited annual report and accounts delivered pursuant to Clause 8.1 (Financial Statements), a Compliance Certificate setting out computations as to compliance with Clause 9 (Financial Covenants) as at the Testing Date.

- (b) Each Compliance Certificate shall be signed by a director of the Charity.

8.3 Requirements as to Financial Statements

Each set of audited annual report and accounts delivered by the Charity pursuant to Clause 8.1 (Financial Statements) shall be certified by a director of the relevant company as fairly representing its financial condition as at the end of and for the period in relation to which those financial statements were drawn up.

8.4 Notification of Default

- (a) The Charity shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly, and in any event within 30 days, upon becoming aware of its occurrence.
- (b) Promptly upon a request by the Lender, the Charity shall supply to the Lender a certificate signed by a director of Dolphin Square Charitable Trustee (as trustee of the Charity) on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it), provided that the Lender may only request such certificate on two occasions per calendar year.

8.5 Annual Statement of Social Impact

The Charity shall use its reasonable endeavours to supply to the Lender an annual statement of social impact on the anniversary of the Issue Date substantially in the form of Schedule 2 (Form of Annual Statement on Social Impact) to this Agreement.

8.6 Management

The Charity shall promptly notify the Lender of any changes to the trustees or management of the Charity and shall provide such other information as reasonably requested by the Lender from time to time to enable the Lender to comply with its anti-money laundering and other related obligations.

9. FINANCIAL COVENANTS

9.1 Financial Condition

- (a) The Charity shall ensure that as at each Testing Date the sum of the Uncharged Property Value, Cash and Cash Equivalent Investments shall not be less than 130% of the Total Unsecured Debt of the Group as determined by reference to its Financial Statements.
- (b) If at any time the terms of any of the Charity's unsecured and unsubordinated debt (a **Relevant Credit Facility**) contains a Financial Covenant and such Financial Covenant is not contained in this Agreement and would be more beneficial to the Lender than any analogous covenant in this Agreement, in each case whether existing on the date hereof or incorporated into this Agreement pursuant to Clause 9.1(c), a director of the Charity shall promptly (but in any event within 10 Business Days of the occurrence thereof) provide written notice thereof to the Lender, which notice shall refer specifically to this Clause 9.1(b) and shall describe in reasonable detail the Financial Covenant and the relevant ratios or thresholds contained therein (and shall include a copy of the relevant portion of the Relevant Credit Facility evidencing such Financial Covenant) (a **Covenant Notice**). Upon receipt of a Covenant Notice, the Lender shall in turn promptly (but in any event within ten Business Days of the receipt of the Covenant Notice) provide written notice to the holders of the Bonds, which notice shall set out all the information contained in the Covenant Notice.

- (c) Upon receipt of a Covenant Notice by the Lender, the Financial Covenant subject to the notification shall be deemed automatically incorporated by reference into this Agreement, mutatis mutandis, as if set forth fully herein, without any further action required on the part of any person, effective as of the date when such Financial Covenant became effective under the Relevant Credit Facility.
- (d) For the avoidance of doubt, each of the financial covenants in this Clause 9 and Events of Default in Clause 10 (Events of Default) as of the date of this Agreement (as amended, other than by application of Clause 9.1(b)) shall remain in this Agreement as in effect on the date hereof regardless of whether any Financial Covenant is incorporated into, deleted from, or otherwise modified in this Agreement.

9.2 Pari Passu Ranking

The Charity shall ensure that its payment obligations under this Agreement rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to registered charities generally.

9.3 Financial Covenant Calculations

Uncharged Property Value and Cash Equivalent Investments shall be calculated in accordance with the relevant Accounting Standards and shall be expressed in pounds sterling.

10. EVENTS OF DEFAULT

10.1 Each of the events or circumstances set out in this Clause 10.1 is an Event of Default:

- (a) the Charity fails to pay any sum due under this Agreement and such failure continues for a period of five days (in the case of interest) and six days (in the case of principal) (subject to Clause 4.2 (Repayment on Legal Maturity Date));
- (b) the Charity is in breach of any other obligation under this Agreement or the Trust Deed and has failed to remedy same within 30 days of being requested to do so;
- (c) any requirement of Clause 9 (Financial Covenants) is not satisfied;
- (d) the Charity ceases to have charitable status under English law;
- (e) any representation or statement made or deemed to be made by the Charity in the Commitment Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- (f) any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Charity and is not discharged within 10 days;
- (g) the Charity is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (h) the value of the assets of the Charity is less than its liabilities (taking into account contingent and prospective liabilities);
- (i) a moratorium is declared in respect of any indebtedness of the Charity;

- (j) it is or becomes unlawful for the Charity to perform any of its obligations under the Commitment Agreement, the Trust Deed or this Agreement;
- (k) the Charity repudiates this Agreement or evidences an intention to repudiate this Agreement;
- (l) in relation to any Financial Indebtedness of the Charity:
 - (i) any Financial Indebtedness of the Charity is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
 - (ii) any commitment for any Financial Indebtedness of the Charity is cancelled or suspended by a creditor of the Charity as a result of an event of default (however described),

provided that no Event of Default will occur under this Clause 10.1(l) if the aggregate amount of Financial Indebtedness falling within paragraphs (i) and (ii) above is less than £3,000,000 (or its equivalent in any other currency or currencies);

- (m) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Charity;
 - (ii) a composition, compromise, assignment or arrangement with any creditor of the Charity;
 - (iii) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Charity; or
 - (iv) enforcement of any Security over any assets of the Charity or any member of its Group; or
 - (v) any analogous procedure or step is taken in any jurisdiction,

in each case (other than (A) the appointment of an administrator, (B) the enforcement of any Security over any assets of the Charity or any member of its Group or (C) any such corporate action, legal proceedings or other procedure or step which the Charity has initiated or to which the Charity has consented (in writing or otherwise)), that has not been discharged within 10 days.

10.2 Acceleration: On and at any time after the occurrence of an Event of Default which is continuing, the Lender may, by notice to the Charity:

- (a) declare that all or part of the Outstanding Balance, together with accrued interest, and all other amounts accrued or outstanding under this Agreement or the Commitment Agreement be immediately due and payable, whereupon it shall become immediately due and payable; and/or
- (b) declare that all or part of the Outstanding Balance be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

11. TRANSFERABILITY

- 11.1 The Lender may not assign and/or transfer its rights and/or obligations under this Agreement without the prior written consent of the Charity other than in accordance with Clause 11.2 below.
- 11.2 The Charity acknowledges that the Lender will assign by way of security all of its rights, title and interest, present and future, arising under this Agreement to the Trustee under the Trust Deed.

12. PAYMENTS

- 12.1 The Charity hereby agrees to pay to the Lender all amounts as are specified in this Agreement on the dates specified in this Agreement in the following order of priority and in each case only if and to the extent that the items of a higher priority have been paid or satisfied in full:
- (a) *first*, in payment or satisfaction of any amounts of Arrangement Fee due under this Agreement;
 - (b) *secondly*, in payment or satisfaction of interest due and payable in respect of the Loan;
 - (c) *thirdly*, in payment or satisfaction of principal due and payable in respect of the Loan; and
 - (d) *fourthly*, in payment or satisfaction of any other amount due and payable to the Lender by the Charity.
- 12.2 Payments to the Lender by the Charity in respect of amounts due under this Agreement shall be made to the bank accounts of the Lender as separately notified in writing by the Loan Management Servicer to the Charity from time to time.
- 12.3 Payments by the Charity must be made without set-off or counterclaim and without any deduction.
- 12.4 If any payment is scheduled to be made on a day which is not a Business Day, then the payment must be made on the preceding Business Day.
- 12.5 Any appropriation by the Lender of moneys received from the Charity against amounts owing under this Agreement will override any contrary appropriation made by the Charity.

13. NOTICES

13.1 Communications in Writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by electronic communication or letter and, in the case of communication to the Lender, to the Loan Management Servicer copied to the Lender. The Loan Management Servicer's address for this purpose is as follows:

Allia Impact Finance Ltd.
Future Business Centre
King's Hedges Road
Cambridge
CB4 2HY
United Kingdom
Attention: Phil Caroe
communications@allia.org.uk

13.2 Communication by the Loan Management Servicer

The Charity acknowledges and accepts that any notification or communication made by the Loan Management Servicer on behalf of the Lender shall be deemed to be a notification or communication by the Lender for the purposes of this Agreement and all references to notifications or communications by the Lender in this Agreement shall be read and construed accordingly.

13.3 Communication by the Charity

The Lender acknowledges and accepts that any notification or communication made by the Charity to the Loan Management Servicer copied to the Lender shall be deemed to be a notification or communication by the Charity to the Lender for the purposes of this Agreement and all references to notifications or communications by the Charity in this Agreement shall be read and construed accordingly.

13.4 Addresses

The address and email address (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is that identified with its name below, or any substitute address, email address or department or officer as the Party may notify to the other Parties by not less than five days' notice.

14. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a Party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

16. NON-PETITION AND LIMITED RECOURSE

16.1 Non-Petition

Each of the other Parties to this Agreement agrees with the Lender that it shall not take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Lender or for the appointment of a liquidator, receiver, administrative receiver, administrator, trustee, manager or similar officer in respect of the Lender or over any or all of its assets or undertaking.

16.2 Limited Recourse

To the extent permitted by law, no recourse under any obligation, covenant or agreement of any person contained in this Agreement shall be had against any shareholder, officer, agent or director of the Lender or the Charity by the enforcement of any assessment or by any legal proceedings, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the Lender and the Charity respectively and no personal liability shall attach to or be incurred by the shareholders, officers, agents or directors of the Lender or the Charity as such, or any of them, under or by reason of any of the obligations, covenants or agreements of the Lender or the Charity (as applicable) herein or implied herefrom, and that any and all personal liability for breaches

by such person of any such obligations, covenants or agreements, either under any applicable law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by each person expressed to be a Party hereto as a condition of and consideration for the execution of this Agreement.

17. GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

FORM OF COMPLIANCE CERTIFICATE

To: Retail Charity Bonds plc as Lender

Cc: Allia Impact Finance Ltd. as Loan Management Servicer

From: The Dolphin Square Charitable Foundation (the **Charity**)

Dated: []

Dear Sirs

**The Dolphin Square Charitable Foundation – Loan
dated 6 July 2017 (the Agreement)**

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meanings when used in this Compliance Certificate unless given different meanings in this Compliance Certificate.
2. [We confirm that no Default is continuing.]*
3. We certify that the audited financial statements of the Charity for the year ended [] fairly represent the Charity's financial condition as at the date they are made up to.
4. We confirm that [no circumstance has arisen requiring a notice to be given/any changes to the trustees and/or management of the Charity have been notified to the Lender] pursuant to Clause 8.5.
5. We confirm that, as at the Testing Date, the sum of the Uncharged Property Value, Cash and Cash Equivalent Investments is not less than 130% of the Total Unsecured Debt of the Group as determined by reference to the Financial Statements.

Signed:

Director of Dolphin Square Charitable Trustee as trustee of

The Dolphin Square Charitable Foundation

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

SCHEDULE 2

FORM OF ANNUAL STATEMENT ON SOCIAL IMPACT

Annual Impact Reporting

1. Your Activities

Give an account of the activities you have undertaken in the previous year as a result of the loan finance raised.

2. Your Impact

Give examples of how the activities described above have had a positive effect on the lives of some of your beneficiaries.

What were the results against the outcome indicators you described in your application?

Outputs	Indicator	Results

Outputs	Indicator	Results

Describe any evidence of wider impact created to date as a result of your activities

3. Your Response

How do your results compare with your targets and objectives? Are there any lessons you have learned and changes to you intend to make as a result? Do you see any other factors arising that may affect your future impact?

SCHEDULE 3

RETAINED ADVANCE REQUEST

From: The Dolphin Square Charitable Foundation

To: Retail Charity Bonds PLC

Dated: []

Dear Sirs

**Loan Agreement
dated 6 July 2017 (the Agreement)**

1. We refer to the Agreement. This is a Retained Advance Request for the purpose of the Agreement. Terms defined in the Agreement have the same meaning in this Retained Advance Request unless given a different meaning in this Retained Advance Request.
2. Pursuant to Clauses 2.3 and 2.4 of the Agreement, we wish to borrow a further advance on the following terms:

Retained Advanced Date:	[] (or, if that is not a Business Day, the next Business day)
Currency of Loan:	GBP
Retained Bond Actual Advance Amount:	[]
Retained Advance:	[]

3. The Charity represents and warrants that no Default is continuing or would result from the Retained Advance.
4. The Charity represents and warrants that the Retained Advance Repeating Representations are true in all material respects in relation to it as at the Retained Advance Date as if made by reference to the facts and circumstances then existing. For the avoidance of any doubt, all references to the Issue Date in the Retained Advance Repeating Representations shall be construed as references to the Retained Advance Date.
5. This Retained Advance Request is irrevocable.

Yours faithfully

.....

authorised signatory for
**Dolphin Square Charitable Trustee as trustee of
The Dolphin Square Charitable Foundation**

Agreed and accepted by

.....

authorised signatory for
Retail Charity Bonds PLC

Date:

SIGNATORIES

The Charity

Dolphin Square Charitable Trustee as trustee of

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

Address: 4th Floor
Belgrave Road
London SW1V 1RB

Email: oliviaharris@dolphinliving.com

Attention: Olivia Harris

By:

And by:

The Lender

RETAIL CHARITY BONDS PLC

Address: 27/28 Eastcastle Street
London
United Kingdom
W1W 8DH

Email: communications@retailcharitybonds.co.uk

Attention: The Company Secretary

By:

E

APPENDIX E

CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH 2012, 31 MARCH 2013, 31 MARCH 2014, 31 MARCH 2015 AND 31 MARCH 2016

INDEX TO CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS

1. Year ended 31 March 2012
2. Year ended 31 March 2013
3. Year ended 31 March 2014
4. Year ended 31 March 2015
5. Year ended 31 March 2016

**CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2012**

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
(Registered Charity Number: 1110090)
REPORT AND ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 2012

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2012

	Note	Restricted Funds £	Unrestricted Funds £	2012 Total £	2011 Total £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Deed of Gift	2	-	5,000,000	5,000,000	2,000,000
Investment Income		-	2,658,272	2,658,272	2,188,841
Rental income		-	51,003	51,003	94,430
<i>Incoming Resources from charitable activities:</i>					
Rental income		-	68,470	68,470	-
Total incoming resources			<u>7,777,745</u>	<u>7,777,745</u>	<u>4,283,271</u>
Resources expended					
Investment management fees		-	95,522	95,522	145,343
Charitable Activities	3				
Housing support	3	-	231,273	231,273	145,235
Strategic development	3	-	527,990	527,990	526,094
Governance		-	163,447	163,447	130,498
Total Resources Expended			<u>1,018,232</u>	<u>1,018,232</u>	<u>947,170</u>
Net Incoming Resources before (losses)/ gains on investments		-	6,759,513	6,759,513	3,336,101
Net realised and unrealised (losses)/ gains on investments		-	(1,198,896)	(1,198,896)	(460,864)
Net movement for the year		-	<u>5,560,617</u>	<u>5,560,617</u>	<u>2,875,237</u>
Balance brought forward at 1 April		30,067	103,402,574	103,432,641	100,557,404
Balance carried forward at 31 March		<u>30,067</u>	<u>108,963,191</u>	<u>108,993,258</u>	<u>103,432,641</u>

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2012**

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Freehold buildings	5		2,953,464		-
Leasehold buildings	6		688,668		-
Land and buildings under Development	7		24,416,275		24,694,851
Tangible fixed assets	8		13,770		12,168
Investments	9		<u>67,553,188</u>		<u>74,435,788</u>
			95,625,365		<u>99,142,807</u>
CURRENT ASSETS					
Debtors and prepayments	10	1,244,558		2,548,078	
Cash at bank		<u>12,504,858</u>		<u>2,234,483</u>	
			13,749,416		4,782,561
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11		<u>(381,523)</u>		<u>(492,727)</u>
NET CURRENT ASSETS			13,367,893		4,289,834
NET ASSETS			<u>108,993,258</u>		<u>103,432,641</u>
Represented by:-					
Restricted funds			30,067		30,067
Unrestricted funds			108,963,191		103,402,574
TOTAL FUNDS	12		<u>108,993,258</u>		<u>103,432,641</u>

Approved and authorised for issue by the Trustee on *24 July 2012* and signed on its behalf

[Signature]

Peter Williams

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2012 £	2011 £
Net cash (outflow) inflow from operating activities	i	5,304,857	(331,403)
Capital expenditure and financial investment	ii	2,307,246	(5,611,609)
Returns on investments and servicing of finance			
Investment income received		2,658,272	2,496,827
Cash (outflow) before use of liquid resources	iii	<u>10,270,375</u>	<u>(3,446,185)</u>
 (Decrease)/Increase in cash		<u>10,270,375</u>	<u>(3,446,185)</u>
 i. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Net incoming resources for the year		5,560,617	3,336,101
Depreciation of tangible fixed assets		11,297	9,082
(Increase)/decrease in debtors		1,303,520	-
Unrealised loss on investments		1,198,896	(1,337,255)
(Decrease)/Increase in creditors		(111,201)	(150,490)
Investment Income Receivable		(2,658,272)	(2,188,841)
Net cash(outflow)/ inflow from operating activities		<u>5,304,857</u>	<u>(331,403)</u>
 ii. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed assets		(12,898)	(15,816)
Purchase of land and buildings		<u>(3,363,557)</u>	<u>(18,422,789)</u>
		(3,376,455)	(18,438,605)
Purchase of investments		-	(12,629,835)
Proceeds from the sale of investments		14,547,418	26,090,000
Decrease/(increase) in portfolio cash		<u>(8,863,717)</u>	<u>(633,169)</u>
		5,683,701	12,826,996
Net cash inflow from operating activities		<u>2,307,246</u>	<u>(5,611,609)</u>
 iii. ANALYSIS OF THE CHANGE IN NET FUNDS			
	1 April	Change in	31 March
	2011	Year	2012
Cash at bank	<u>2,234,483</u>	<u>10,270,375</u>	<u>12,504,858</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012**

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These accounts are prepared under the historical cost convention in accordance with applicable accounting standards and comply with the Statement of Recommended Practice: 'Accounting and Reporting by Charities' issued by the Charity Commissioners for England and Wales as revised in 2005.

(b) Grants and donations

Grants and donations receivable are accounted for as soon as their amount and receipt are reasonably certain.

(c) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

(d) Resources expended

Expenditure is included on an accruals basis. Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives.

Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff and overhead expenses and fees payable to advisers in conjunction with the development of the charity's objects.

Governance costs comprise statutory and constitutional costs for the running of the Foundation itself as an organisation.

(e) Tangible fixed assets

Completed properties which are held to provide accommodation in accordance with the Charity's objects are to be shown at cost. The buildings will be subject to annual valuations by the Governors. The buildings will be maintained to a high standard and therefore are not depreciated.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

1. ACCOUNTING POLICIES (Continued)

Leasehold properties will be amortised over the remainder of the lease when the unexpired term of the lease falls to fifty years.

Land is not depreciated.

Other tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Furniture in leasehold property	33% straight line

(f) Buildings in Development

Developments are shown at cost of acquisition and spend to date. Once completed and let the property will be treated on the same basis as the other buildings used for charitable purposes.

(g) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Foundation's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(h) Pension Costs

The charity contributed to a pension scheme administered by an independent company. The pension costs represent the contributions payable by the charity to the scheme for the year. The pension scheme is a defined contribution scheme.

(i) Funds

Restricted funds consist of monies provided by grant or donation for specific projects. Unrestricted funds consist of monies provided for general charitable activities.

(j) Lease commitments

Rental paid under operating leases are charged to income on a straight-line basis over the lease term.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

2. DEED OF GIFT

Deed of gift relates to the amounts received in the year in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Ltd as trustee of the Charity as a result of the sale by Dolphin Square Trust and Westminster City Council of their interest in Dolphin Square.

3. RESOURCES EXPENDED	2012	2011
	£	£
Charitable activities		
<i>Housing support costs</i>		
Staff costs	95,701	72,521
Grants payable (see below)	45,400	31,255
Support costs	90,172	41,459
	<u>231,273</u>	<u>145,235</u>
<i>Strategic development costs</i>		
Staff costs	288,917	207,303
Direct costs	146,394	215,143
Support costs	92,679	103,648
	<u>527,990</u>	<u>526,094</u>
<i>Governance and management costs</i>		
Administrative support costs	50,086	20,729
Staff Costs	96,986	94,465
Audit fees	16,375	13,184
Other costs	-	2,120
	<u>163,447</u>	<u>130,498</u>

Support costs are either directly allocated to the activity e.g. Salaries, or shared equally between the three activities e.g. premises costs.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

3. RESOURCES EXPENDED (Continued)

Grants comprise:

Amounts included in prior year creditors	(139,167)	(471,651)
Paid in the year	86,175	363,739
Amounts included in creditors at year end	98,392	139,167
	<u>45,400</u>	<u>31,255</u>

4. STAFF COSTS

	2012	2011
	£	£
Gross salaries	401,680	308,923
Employer's NI contributions	46,606	34,773
Employer's pension contributions	23,998	6,000
Relocation expenses	-	7,000
	<u>472,284</u>	<u>356,696</u>

The average number of employees in the year was six (2011: five).

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2012	2011
£60,000 - £69,999	1	1
£80,000 - £89,999	1	-
£120,000 - £129,999	-	1
£150,000 - £159,999	1	-

Pension payments of £23,998 were made during the year in respect of five of the employees (2011: £6,000).

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

5. FREEHOLD LAND AND BUILDINGS

	Land £	Buildings £	TOTAL £
Cost at 1 April 2011	-	-	-
Transfers from land and buildings under development	2,200,000	753,464	2,953,464
Net book value at 31 March 2012	<u>2,200,000</u>	<u>753,464</u>	<u>2,953,464</u>
Net book value at 31 March 2011			Nil

6. LEASEHOLD BUILDINGS

	Buildings £
Cost at 1 April 2011	-
Additions	21,492
Transfers from land and buildings under development	667,176
Net book value at 31 March 2012	<u>688,668</u>
Net book value at 31 March 2011	Nil

7. LAND AND BUILDINGS UNDER DEVELOPMENT

	Land	Buildings under Development	TOTAL
COST			
Cost at 1 April 2011	23,072,858	1,621,993	24,694,851
Additions	-	3,342,064	3,342,064
Transfer completed developments	(2,200,000)	(1,420,640)	(3,620,640)
Cost at 31 March 2012	<u>20,872,858</u>	<u>3,543,417</u>	<u>24,416,275</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)

8. TANGIBLE FIXED ASSETS

	Computer and Office Equipment £
COST	
Cost at 1 April 2011	36,578
Additions	12,898
Disposals	(15,889)
Cost at 31 March 2012	<u>33,587</u>
 DEPRECIATION	
Balance at 1 April 2011	24,410
Charge in the year	11,296
Disposals	(15,889)
Balance at 31 March 2012	<u>19,817</u>
 Net book value at 31 March 2012	 <u>13,770</u>
 Net book value at 31 March 2011	 <u>12,168</u>

9. FIXED ASSET INVESTMENTS

	2012 £	2011 £
Market value at 1 April 2011	58,404,826	72,759,788
Additions	-	12,991,642
Disposals	(14,705,784)	(26,885,740)
Unrealised losses	(1,040,530)	(460,864)
Market value at 31 March 2012	<u>42,658,512</u>	<u>58,404,826</u>
Cash held as an investment	24,894,676	16,030,959
Total market value at 31 March 2012	<u>67,553,188</u>	<u>74,435,785</u>
 Historical costs at 31 March 2012	 <u>68,390,106</u>	 <u>74,567,057</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

9. FIXED ASSET INVESTMENTS (Continued)

Market values at 31 March 2012 are analysed

as:

Bonds	17,442,901	25,044,238
RBS inflation linked note	15,000,000	22,500,000
Hedge Funds	10,215,611	10,860,591
Cash	24,894,676	16,030,959
	<u>67,553,188</u>	<u>74,435,788</u>

There is no ready market for the RBS inflation linked note and therefore this asset is shown at cost.

Investments which individually represent more than 5% of the portfolio by market value are:

RBS Inflation linked note	15,000,000	22,500,000
Cazenove Inv FD MT absolute return trust for charity	10,215,611	10,860,591
Cash	24,894,676	16,030,959

10. DEBTORS

	2012	2011
	£	£
Trade Debtors	19,528	16,775
Accrued Interest receivable	1,115,000	1,200,803
VAT	5,166	1,265,740
Other debtors	45,948	51,709
Prepayments	58,916	13,051
	<u>1,244,558</u>	<u>2,548,078</u>

11. CREDITORS

	2012	2011
	£	£
Expense creditors	27,926	33,447
Development creditors	127,960	209,473
Social security and other taxes	21,305	16,565
Other creditors	5,020	9,016
Grants payable	98,392	139,167
Accruals	100,920	85,059
	<u>381,523</u>	<u>492,727</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

12. MOVEMENT ON FUNDS

	Balance 1 April 2011 £	Surplus/ (deficit) £	Net losses on investments £	Balances 31 March 2012 £
Restricted funds	30,067	-	-	30,067
Unrestricted funds	103,402,574	6,759,513	(1,198,896)	108,963,191
	<u>103,432,641</u>	<u>6,759,513</u>	<u>(1,198,896)</u>	<u>108,993,258</u>

13. TRUSTEES' EXPENSES

The governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £1,126 (2011- £355) were re-imbursed to 4 Governors for travel expenses incurred for business purposes.

14. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

15. RELATED PARTY TRANSACTIONS

During the year there were no related party transactions.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total £
Fixed assets	95,625,365	-	95,625,365
Current assets	13,719,349	30,067	13,749,416
Current liabilities	(381,523)	-	(381,523)
Net Assets	<u>108,963,191</u>	<u>30,067</u>	<u>108,993,258</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2012 (Continued)**

17. COMMITMENTS

The Charity has the following commitments payable within the year to 31 March 2013:

	2012	2011
	£	£
Operating lease on property, expiring in 2 to 5 years	<u>2,310</u>	<u>2,310</u>

At the year end, the corporate trustee had authorised the following capital commitments:

	2012	2012	2011	2011
	Authorised	Contracted	Authorised	Contracted
	£	£	£	£
Moreton Street	6,200,000	5,597,000	6,000,000	693,000
Churchill Gardens	5,000,000	1,306,168	-	-

Further developments have been agreed in principle by the Governors, up to a total of £100m, although the exact amounts are yet to be finalised.

**CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2013**

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
(Registered Charity Number: 1110090)
REPORT AND ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 2013

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2013

	Note	Restricted Funds £	Unrestricted Funds £	2013 Total £	2012 Total £
Incoming Resources					
<i>Incoming resources from generated funds:</i>					
Deed of Gift	2		300,000	300,000	5,000,000
Investment Income			2,784,009	2,784,009	2,658,272
Rental income			61,917	61,917	51,003
<i>Incoming Resources from charitable activities:</i>					
Rental Income			220,106	220,106	68,470
Total incoming resources		-	3,366,032	3,366,032	7,777,745
Resources expended					
Investment Management Fees	3		59,092	59,092	95,522
Charitable activities	3				
Housing support	3		362,905	362,905	231,273
Strategic development	3		875,393	875,393	527,990
Governance			142,907	142,907	163,447
Other resources expended		30,067	-	30,067	-
Total Resources Expended		30,067	1,440,297	1,470,364	1,018,232
Net Incoming Resources before (losses)/ gains on investments		(30,067)	1,925,735	1,895,668	6,759,513
Net realised and unrealised (losses)/ gains on investments		-	(540,527)	(540,527)	(1,198,896)
Net movement for the year		(30,067)	1,385,208	1,355,141	5,560,617
Balance brought forward at 1 April		30,067	108,963,191	108,993,258	103,432,641
Balance carried forward at 31 March		-	110,348,399	110,348,399	108,993,258

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2013**

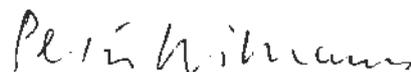
	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Freehold buildings	5		2,911,806		2,953,464
Leasehold buildings	6		3,273,925		688,668
Land and buildings under development	7		32,594,882		24,416,275
Tangible fixed assets	8		91,046		13,770
Investments	9		49,814,792		67,553,188
			88,686,451		95,625,365
CURRENT ASSETS					
Debtors and prepayments	10	787,268		1,244,558	
Cash at bank		21,263,081		12,504,858	
		22,050,349		13,749,416	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11	(388,401)		(381,523)	
NET CURRENT ASSETS			21,661,948		13,367,893
NET ASSETS			110,348,399		108,993,258
Represented by:-					
Restricted funds			-		30,067
Unrestricted funds			110,348,399		108,963,191
TOTAL FUNDS	12		110,348,399		108,993,258

Approved and authorised for issue by the Trustee on 23 July 2013 and signed on its behalf

Ian Henderson



Peter Williams



**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £	2012 £
Net cash (outflow) inflow from operating activities	i	(408,202)	5,304,857
Capital expenditure and financial investment	ii	6,212,372	2,307,246
Returns on investments and servicing of finance			
Investment income received		2,954,053	2,658,272
Increase in cash	iii	<u>8,758,223</u>	<u>10,270,375</u>

I RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Net incoming resources for the year	1,355,141	5,560,617
Depreciation of tangible fixed assets	15,925	11,297
Loss on disposal of fixed assets	54	-
Decrease in debtors	457,290	1,303,520
Unrealised loss on investments	540,527	1,198,896
Increase/(Decrease) in creditors	6,870	(111,201)
Investment Income receivable	(2,784,009)	(2,658,272)
Net cash(outflow)/ inflow from operating activities	<u>(408,202)</u>	<u>5,304,857</u>

ii CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of fixed assets	(93,255)	(12,898)
Purchase of land and buildings	(10,722,206)	(3,363,557)
	<u>(10,815,461)</u>	<u>(3,376,455)</u>
Proceeds from the sale of investments	28,762,619	14,547,418
(Increase) in portfolio cash	(11,734,786)	(8,863,717)
	<u>17,027,833</u>	<u>5,683,701</u>
Net cash inflow from operating activities	<u>6,212,372</u>	<u>2,307,246</u>

iii ANALYSIS OF THE CHANGE IN NET FUNDS

	1 April 2012	Change in year	31 March 2013
Cash at bank	12,504,858	8,758,223	21,263,081

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013**

1. ACCOUNTING POLICIES

(a) Basis of Accounting

These accounts are prepared under the historical cost convention in accordance with applicable accounting standards and comply with the Statement of Recommended Practice: 'Accounting and Reporting by Charities' issued by the Charity Commissioners for England and Wales as revised in 2005.

(b) Grants and donations

Grants and donations receivable are accounted for as soon as their amount and receipt are reasonably certain.

(c) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

(d) Resources expended

Expenditure is included on an accruals basis. Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives.

Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff and overhead expenses and fees payable to advisers in conjunction with the development of the charity's objects.

Governance costs comprise statutory and constitutional costs for the running of the Charity itself as an organisation.

(e) Tangible fixed assets

Completed properties which are held to provide accommodation in accordance with the Charity's objects are to be shown at cost. The buildings will be subject to annual valuations by the Governors. The buildings will be maintained to a high standard and therefore are not depreciated.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(f) Leasehold properties

Leasehold properties will be amortised over the remainder of the lease when the unexpired term of the lease falls to fifty years.

Land is not depreciated.

Other tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Office improvements	20% straight line
Furniture in leasehold property	33% straight line

(g) Buildings in Development

Developments are shown at cost of acquisition and spend to date. Once completed and let the property will be treated on the same basis as the other buildings used for charitable purposes.

(h) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Charity's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(i) Pension Costs

The charity contributed to a pension scheme administered by an independent company. The pension costs represent the contributions payable by the charity to the scheme for the year. The pension scheme is a defined contribution scheme.

(j) Funds

Restricted funds consist of monies provided by grant or donation for specific projects. Unrestricted funds consist of monies provided for general charitable activities.

(k) Lease commitments

Rental paid under operating leases are charged to income on a straight-line basis over the lease term.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)**

2. DEED OF GIFT

Deed of Gift relates to the amounts received in the year in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Limited as trustee of the Charity as a result of the sale by Dolphin Square Trust and Westminster City Council of their interest in Dolphin Square.

3. RESOURCES EXPENDED	2013	2012
	£	£
Charitable activities		
<i>Housing support costs</i>		
Staff costs	180,832	95,701
Grants payable	72,200	45,400
Property management	60,998	23,225
Office costs	19,478	22,998
Legal and professional fees	23,670	38,099
Support costs	5,727	5,850
	<hr/>	<hr/>
	362,905	231,273
	<hr/>	<hr/>
<i>Strategic development costs</i>		
Staff costs	358,628	288,917
Direct costs	312,746	139,836
Property management	2,460	6,558
Office costs	58,432	39,407
Legal and professional fees	122,905	41,574
Other	20,222	11,698
	<hr/>	<hr/>
	875,393	527,990
	<hr/>	<hr/>
<i>Governance and management costs</i>		
Staff costs	81,144	96,986
Office costs	19,477	22,998
Legal and professional fees	19,060	21,237
Audit fees	14,554	16,375
Other costs	8,672	5,851
	<hr/>	<hr/>
	142,907	163,447
	<hr/>	<hr/>

Support costs are either directly allocated to the activity e.g. Salaries, or shared pro rata between the three activities e.g. premises costs.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)

3. RESOURCES EXPENDED (Continued)	2013 £	2012 £
Grants comprise:		
Amounts included in prior year creditors	(98,392)	(139,167)
Paid in the year	52,121	86,175
Amounts included in creditors at year end	118,471	98,392
	72,200	45,400
	72,200	45,400
4. STAFF COSTS	2013 £	2012 £
Gross salaries	493,724	401,680
Employer's NI contributions	58,687	46,606
Employer's pension contributions	21,603	23,998
	574,014	472,284
	574,014	472,284

The average number of employees in the year was ten (2011: six). Employees are divided between housing support, strategic development and governance and management, 3:6:1, respectively.

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2013	2012
£60,000 - £69,999	-	1
£80,000 - £89,999	1	1
£120,000 - £129,999	-	-
£140,000 - £149,999	1	-
£150,000 - £159,999	-	1

Pension payments of £21,603 were made during the year in respect of eight of the employees (2012: £23,998).

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)

5. FREEHOLD LAND AND BUILDINGS

	Land £	Buildings £	TOTAL £
Cost at 1 April 2012	2,200,000	753,464	2,953,464
Additions	-	13,243	13,243
VAT recovered	-	(54,901)	(54,901)
Net book value at 31 March 2013	<u>2,200,000</u>	<u>711,806</u>	<u>2,911,806</u>
Net book value at 31 March 2012	<u>2,200,000</u>	<u>753,464</u>	<u>2,953,464</u>

6. LEASEHOLD BUILDINGS

	Buildings £
Cost at 1 April 2012	688,668
Additions	2,585,257
Net book value at 31 March 2013	<u>3,273,925</u>
Net book value at 31 March 2012	<u>688,668</u>

7. LAND AND BUILDINGS UNDER DEVELOPMENT

	Land £	Buildings under development £	TOTAL £
Cost at 1 April 2012	20,872,858	3,543,417	24,416,275
Additions	-	8,178,607	8,178,607
Cost at 31 March 2013	<u>20,872,858</u>	<u>11,722,024</u>	<u>32,594,882</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)

8. TANGIBLE FIXED ASSETS

	Office Improvements	Furniture in leasehold properties	Computer and Office Equipment	Total
	£	£	£	£
COST				
Cost at 1 April 2012	-	-	33,587	33,587
Additions	54,709	13,179	25,367	93,255
Disposals	-	(54)	(4,873)	(4,927)
Cost at 31 March 2013	<u>54,709</u>	<u>13,125</u>	<u>54,081</u>	<u>121,915</u>
 DEPRECIATION				
Balance at 1 April 2012	-	-	19,817	19,817
Charge in the year	1,654	2,420	11,851	15,925
Disposals	-	-	(4,873)	(4,873)
Balance at 31 March 2012	<u>1,654</u>	<u>2,420</u>	<u>26,795</u>	<u>30,869</u>
Net book value at 31 March 2013	<u>53,055</u>	<u>10,705</u>	<u>27,286</u>	<u>91,046</u>
Net book value at 31 March 2012	<u>-</u>	<u>-</u>	<u>13,770</u>	<u>13,770</u>

9. FIXED ASSET INVESTMENTS

	2013 £	2012 £
Market value at 1 April 2012	42,658,512	58,404,826
Disposals	(29,274,442)	(14,705,784)
Unrealised losses	(198,740)	(1,040,530)
Market value at 31 March 2013	<u>13,185,330</u>	<u>42,658,512</u>
Cash held as an investment	<u>36,629,462</u>	<u>24,894,676</u>
Total market value at 31 March 2013	<u>49,814,792</u>	<u>67,553,188</u>
Historical cost at 31 March 2013	<u>49,852,869</u>	<u>68,390,106</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)

9. FIXED ASSET INVESTMENTS (Continued)

Market values at 31 March 2013 are analysed as:	2013	2012
	£	£
Bonds	5,685,330	17,442,901
RBS inflation linked note	7,500,000	15,000,000
Hedge Funds	-	10,215,611
Cash	36,629,462	24,894,676
	<u>49,814,792</u>	<u>67,553,188</u>

There is no ready market for the RBS inflation linked note and therefore this asset is shown at cost.

Investments which individually represent more than 5% of the portfolio by market value are:

RBS Inflation linked note	7,500,000	15,000,000
Cazenove Inv FD MT absolute return trust for charity	-	10,215,611
Cash	36,629,462	24,894,676

10. DEBTORS

	2013	2012
	£	£
Trade Debtors	9,954	19,528
Accrued Interest receivable	727,788	1,115,000
VAT	10,603	5,166
Other debtors	19,985	45,948
Prepayments	18,938	58,916
	<u>787,268</u>	<u>1,244,558</u>

11. CREDITORS

	2013	2012
	£	£
Expense creditors	40,191	27,926
Development creditors	130,146	127,960
Social security and other taxes	23,613	21,305
Other creditors	15,413	5,020
Grants payable	118,471	98,392
Accruals	60,567	100,920
	<u>388,401</u>	<u>381,523</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)**

12. REPAIR SINKING FUND (DESIGNATED FUND)

	2013	2012
	£	£
Provision for the year	5,000	-
	5,000	-
	5,000	-

Included within unrestricted funds provision for future major repairs in completed Freehold Properties has been made of a rate of 5% of gross rents.

13. MOVEMENT ON FUNDS

	Balance 1 April 2012	Surplus/ (deficit)	Net losses on investments	Balances 31 March 2013
	£	£	£	£
Restricted funds	30,067	(30,067)	-	-
Unrestricted funds	108,963,191	1,925,735	(540,527)	110,348,399
	108,993,258	1,895,668	(540,527)	110,348,399
	108,993,258	1,895,668	(540,527)	110,348,399

14. TRUSTEES' EXPENSES

The Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £1,274 (2012- £1,126) were re-imbursed to three Governors for travel expenses incurred for business purposes.

15. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

16. RELATED PARTY TRANSACTIONS

During the year there were no related party transactions.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2013 (Continued)

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £
Fixed assets	88,686,451
Current assets	22,050,349
Current liabilities	(388,401)
	110,348,399
Net Assets	110,348,399

18. COMMITMENTS

The Charity has the following commitments payable within the year to 31 March 2014:

	2013 £	2012 £
Operating lease on property, expiring in 2 to 5 years	37,541	2,310

Amounts payable under operating leases during the year ended 31 March 2013 amounted to £44,580.

At the year end, the corporate trustee had authorised the following capital commitments:

	2013 Authorised £	2013 Contracted £	2012 Authorised £	2012 Contracted £
Moreton Street	3,349,043	2,920,123	6,200,000	5,597,000
Churchill Gardens	4,712,896	-	5,000,000	-
Trenchard House	8,480,402	8,340,000	-	-
Kings Cross	17,042,821	16,479,773	-	-

Further developments have been agreed in principle by the Governors, up to a total of £50 million, although the exact amounts are yet to be finalised.

**CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2014**

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
(Registered Charity Number: 1110090)
REPORT AND ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 2014

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2014**

	Note	2014 £	2013 £
Incoming resources			
Incoming resources from generated funds:			
Deed of gift	2	28,750,000	300,000
Investment income		2,422,926	2,784,009
Rental income		95,224	61,917
Incoming resources from charitable activities:			
Rental income		520,060	220,106
Total incoming resources		<u>31,788,210</u>	<u>3,366,032</u>
Resources expended			
Cost of generating funds	3		
Investment management fees		20,074	59,092
Charitable activities			
Housing support	3	556,842	362,905
Strategic development	3	804,063	875,393
Governance	3	138,633	142,907
Other resources expended		-	30,067
Total resources expended		<u>1,519,612</u>	<u>1,470,364</u>
Net incoming resources before (losses)/ gains on investments		30,268,598	1,895,668
Net realised and unrealised (losses)/ gains on investments		(308,658)	(540,527)
Exceptional item		-	
Net movement for the year		<u>29,959,940</u>	<u>1,355,141</u>
Balance brought forward at 1 April		110,348,399	108,993,258
Balance carried forward at 31 March		<u>140,308,339</u>	<u>110,348,399</u>

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2014**

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Freehold buildings	5		16,371,066		2,911,806
Leasehold buildings	6		5,212,568		3,273,925
Land and buildings under development	7		27,590,863		32,594,882
Tangible fixed assets	8		80,754		91,046
Investments	9		54,234,325		49,814,792
			103,489,576		88,686,451
 CURRENT ASSETS					
Debtors and prepayments	10	580,789		787,268	
Cash at bank		34,442,516		21,263,081	
		35,023,305		22,050,349	
 CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11	(1,077,437)		(388,401)	
 NET CURRENT ASSETS					
			33,945,868		21,661,948
 NET ASSETS					
			137,435,444		110,348,399
 Represented by:-					
Unrestricted funds			137,435,444		110,348,399
TOTAL FUNDS	12		137,435,444		110,348,399

Approved and authorised for issue by the Trustee on *22 July 2014* and signed on its behalf

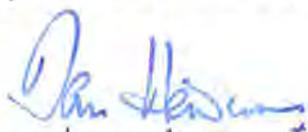
Ian J Henderson (Chairman of Governors)

Nick Barton (Governor)

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED BALANCE SHEET AS AT
31 MARCH 2014**

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Freehold buildings	5		16,371,066		2,911,806
Leasehold buildings	6		5,212,568		3,273,925
Land and buildings under development	7		30,689,164		32,594,882
Tangible fixed assets	8		80,754		91,046
Investments	9		54,234,225		49,814,792
			106,587,777		88,686,451
 CURRENT ASSETS					
Debtors and prepayments	10	354,110		787,268	
Cash at bank		34,444,789		21,263,081	
		34,798,899		22,050,349	
 CURRENT LIABILITIES					
Creditors: amounts falling due within one year	11	(1,078,337)		(388,401)	
 NET CURRENT ASSETS			33,720,562		21,661,948
NET ASSETS			140,308,339		110,348,399
 Represented by:-					
Unrestricted funds			140,308,339		110,348,399
TOTAL FUNDS	12		140,308,339		110,348,399

Approved and authorised for issue by the Trustee on 22 July 2014 and signed on its behalf




Ian J Henderson (Chairman of Governors)

Mike Boston (Governor)

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	2014 £	2013 £
Net cash (outflow) inflow from operating activities	i	28,548,217	(408,202)
Capital expenditure and financial investment	ii	(18,430,485)	6,212,372
Returns on investments and servicing of finance			
Investment income received		3,063,976	2,954,053
Increase in cash	iii	<u>13,181,708</u>	<u>8,758,223</u>

**i RECONCILIATION OF NET INCOMING RESOURCES
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

Net incoming resources for the year	29,938,627	1,355,141
Depreciation of tangible fixed assets	31,992	15,925
Loss on disposal of fixed assets	208	54
(Increase)/decrease in debtors	(129,250)	457,290
Loss on investments	308,658	540,527
Increase in creditors	689,937	6,870
Investment income receivable	(2,422,926)	(2,784,009)
Increase in accrued income in investments	109,658	-
Increase in sinking fund	21,313	-
Net cash(outflow)/ inflow from operating activities	<u>28,548,217</u>	<u>(408,202)</u>

ii CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of fixed assets	(21,908)	(93,255)
Purchase of land and buildings	(13,492,185)	(10,722,206)
Purchase of investments	(14,210,228)	-
	<u>(27,724,321)</u>	<u>(10,815,461)</u>
Proceeds from the sale of investments	29,734,647	28,762,619
(Increase) in portfolio cash	(20,440,811)	(11,734,786)
	<u>9,293,836</u>	<u>17,027,833</u>
	<u>(18,430,485)</u>	<u>6,212,372</u>

iii ANALYSIS OF THE CHANGE IN NET FUNDS

	1 April 2013	Change in year	31 March 2014
Cash at bank	<u>21,263,081</u>	<u>13,181,708</u>	<u>34,444,789</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014

1. ACCOUNTING POLICIES

(a) Basis of accounting

These accounts are prepared under the historical cost convention in accordance with applicable accounting standards and comply with the Statement of Recommended Practice: 'Accounting and Reporting by Charities' issued by the Charity Commissioners for England and Wales as revised in 2005.

(b) Grants and donations

Grants and donations receivable are accounted for as soon as their amount and receipt are reasonably certain.

(c) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

(d) Resources expended

Expenditure is included on an accruals basis. Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives.

Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff and overhead expenses and fees payable to advisers in conjunction with the development of the charity's objects.

Governance costs comprise statutory and constitutional costs for the running of the Group itself as an organisation.

(e) Tangible fixed assets

Completed properties which are held to provide accommodation in accordance with the Group's objects are to be shown at cost. The buildings will be subject to annual valuations by the Governors. The buildings will be maintained to a high standard and therefore are not depreciated.

(f) Freehold properties

Freehold properties are shown at cost. The Group's policy is to maintain them to a high standard and no diminution in value is expected to arise through use.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)

1. ACCOUNTING POLICIES (Continued)

(g) Leasehold properties

Leasehold properties will be amortised over the remainder of the lease when the unexpired term of the lease falls to fifty years.

Land is not depreciated.

Other tangible assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Office improvements	20% straight line
Furniture in leasehold property	33% straight line

(h) Buildings in development

Developments are shown at cost of acquisition and spend to date. Once completed and let the property will be treated on the same basis as the other buildings used for charitable purposes.

(i) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Group's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(j) Pension costs

The group contributed to a pension scheme administered by an independent company. The pension costs represent the contributions payable by the group to the scheme for the year. The pension scheme is a defined contribution scheme.

(j) Funds

Restricted funds consist of monies provided by grant or donation for specific projects. Unrestricted funds consist of monies provided for general charitable activities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)**

1. ACCOUNTING POLICIES (Continued)

(k) Lease commitments

Rental paid under operating leases are charged to income on a straight-line basis over the lease term.

(l) Consolidation

The consolidated financial statements incorporate the financial statements of the Charity and all subsidiaries. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of entities acquired or disposed of are included in the income and expenditure account after or up to the date that control passes respectively.

Only the financial activity of the Group is shown in the consolidated statement of financial activities. The Charity had gross income of £31,788,210 in the year a net movement on reserves of £27,087,045 after taking into account an exceptional loss of £2,873,895. The exceptional loss relates to the sale of a site to a subsidiary. The loss reflects the restriction to provide affordable housing on the site imposed by the Charity as a condition of the sale.

2. DEED OF GIFT

Deed of Gift relates to the amounts received in the year in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Limited as trustee of the Charity as a result of the sale by Dolphin Square Trust and Westminster City Council of their interest in Dolphin Square.

3. RESOURCES EXPENDED

	2014		2013	
	Group	Charity	Group	Charity
Charitable activities				
Housing support costs				
Staff costs	200,383	200,383	180,832	180,832
Grants payable	33,560	33,560	72,200	72,200
Property management	179,997	179,997	60,998	60,998
Office costs	43,960	43,960	19,478	19,478
Legal and professional fees	88,861	88,861	23,670	23,670
Support costs	10,181	10,181	5,727	5,727
	<u>556,842</u>	<u>556,842</u>	<u>362,905</u>	<u>362,905</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)

3. RESOURCES EXPENDED (Continued)	2014 £		2013 £	
	Group	Charity	Group	Charity
Strategic development costs				
Staff costs	419,276	419,276	358,628	358,628
Direct costs	247,774	247,774	312,746	312,746
Property management	-	-	2,460	2,460
Office costs	62,565	62,565	58,432	58,432
Legal and professional fees	65,871	65,871	122,905	122,905
Other	8,577	8,577	20,222	20,222
	<u>804,063</u>	<u>804,063</u>	<u>875,393</u>	<u>875,393</u>
Governance				
Staff costs	72,788	72,788	81,144	81,144
Office costs	20,914	20,914	19,477	19,477
Legal and professional fees	20,687	20,687	19,060	19,060
Audit fees	15,666	14,666	14,554	14,554
Other costs	8,577	8,577	8,672	8,672
	<u>138,633</u>	<u>137,633</u>	<u>142,907</u>	<u>142,907</u>

Support costs are either directly allocated to the activity e.g. Salaries, or shared pro rata between the three activities e.g. premises costs.

Grants comprise:	2014 £		2013 £	
	Group	Charity	Group	Charity
Amounts included in prior year creditors	(118,471)	(118,471)	(98,392)	(98,392)
Paid in the year	129,560	126,560	52,121	52,121
Amounts included in creditors at year end	22,471	22,471	118,471	118,471
	<u>33,560</u>	<u>33,560</u>	<u>72,200</u>	<u>72,200</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)

4. STAFF COSTS	2014	2013
	£	£
Gross salaries	565,016	493,724
Employer's NI contributions	65,040	58,687
Employer's pension contributions	19,911	21,603
	<u>649,967</u>	<u>574,014</u>

The average number of employees in the year was ten (2013: ten). Employees are divided between housing support, strategic development and governance and management, 3:6:1, respectively.

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2014	2013
£60,000 - £69,999	1	-
£80,000 - £89,999	-	1
£120,000 - £129,999	1	-
£140,000 - £149,999	-	1

Pension payments of £19,911 were made during the year in respect of eight of the employees (2013: £21,603).

5. FREEHOLD LAND AND BUILDINGS: CHARITY

	Land	Buildings	Total
	£	£	£
Cost at 1 April 2013	2,200,000	711,806	2,911,806
Additions	6,012,119	7,447,141	13,459,260
Net book value at 31 March 2014	<u>8,212,119</u>	<u>8,158,947</u>	<u>16,371,066</u>
Net book value at 31 March 2013	<u>2,200,000</u>	<u>711,806</u>	<u>2,911,806</u>

FREEHOLD LAND AND BUILDINGS : GROUP

	Land	Buildings	Total
	£	£	£
Cost at 1 April 2013	2,200,000	711,806	2,911,806
Additions	6,012,119	7,447,141	13,459,260
Net book value at 31 March 2014	<u>8,212,119</u>	<u>8,158,947</u>	<u>16,371,066</u>
Net book value at 31 March 2013	<u>2,200,000</u>	<u>711,806</u>	<u>2,911,806</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)

6.	LEASEHOLD BUILDINGS	Charity	Group
		£	£
	Cost at 1 April 2013	3,273,925	3,273,925
	Additions	1,938,643	1,938,643
	Net book value at 31 March 2014	5,212,568	5,212,568
	Net book value at 31 March 2013	3,273,925	3,273,925

7. LAND AND BUILDINGS UNDER DEVELOPMENT: CHARITY

	Land £	Buildings under development £	Total £
Cost at 1 April 2013	20,872,858	11,722,024	32,594,882
Additions	-	11,495,206	11,495,206
Disposals	(2,353,970)	(736,533)	(3,090,503)
Completions	(6,012,119)	(7,396,603)	(13,408,722)
Cost at 31 March 2014	12,506,769	15,084,094	27,590,863

LAND AND BUILDINGS UNDER DEVELOPMENT: GROUP

	Land £	Buildings under development £	Total £
Cost at 1 April 2013	20,872,858	11,722,024	32,594,882
Additions	-	11,503,004	11,503,004
Completions	(6,012,119)	(7,396,603)	(13,408,722)
Cost at 31 March 2014	14,860,739	15,828,425	30,689,164

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)**

8. TANGIBLE FIXED ASSETS: GROUP AND CHARITY

	Office Improvements	Furniture in properties £	Computer and Office Equipment £	Total £
	£		£	£
COST				
Cost at 1 April 2013	54,709	13,125	54,081	121,915
Additions	-	8,491	13,417	21,908
Disposals	(208)	-	(4,299)	(4,507)
Cost at 31 March 2014	<u>54,501</u>	<u>21,616</u>	<u>63,199</u>	<u>139,316</u>
DEPRECIATION				
Balance at 1 April 2013	1,654	2,420	26,795	30,869
Charge in the year	11,082	5,352	15,558	31,992
Disposals	-	-	(4,299)	(4,299)
Balance at 31 March 2014	<u>12,736</u>	<u>7,772</u>	<u>38,054</u>	<u>58,562</u>
Net book value at 31 March 2014	<u>41,765</u>	<u>13,844</u>	<u>25,145</u>	<u>80,754</u>
Net book value at 31 March 2013	<u>53,055</u>	<u>10,705</u>	<u>27,286</u>	<u>91,046</u>

9. FIXED ASSET INVESTMENTS: CHARITY

	2014 £	2013 £
Market value at 1 April 2013	13,185,330	42,658,512
Additions	14,022,028	-
Disposals	(15,477,879)	(29,274,442)
Unrealised losses	(256,539)	(198,740)
Market value at 31 March 2014	<u>11,472,940</u>	<u>13,185,330</u>
Cash held as an investment	<u>42,761,385</u>	<u>36,629,462</u>
Total market value at 31 March 2014	<u>54,234,325</u>	<u>49,814,792</u>
Historical cost at 31 March 2014	<u>54,465,928</u>	<u>49,852,869</u>

Included in the Fixed Asset Investments owned by the Charity is an investment of £100 in its wholly owned subsidiary, DSF Developments Limited, which is consolidated in the Group balance sheet.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)**

9. FIXED ASSET INVESTMENTS (Continued)

Market values at 31 March 2014 are analysed as:	2014	2013
	£	£
Bonds	11,472,840	5,685,330
RBS inflation linked note	-	7,500,000
Shares in DSF Developments Ltd	100	-
Cash	42,761,385	36,629,462
	<u>54,234,325</u>	<u>49,814,792</u>

There is no ready market for the RBS inflation linked note and therefore this asset is shown at cost.

Investments which individually represent more than 5% of the portfolio by market value are:

RBS Inflation linked note	-	7,500,000
Cash	<u>42,761,385</u>	<u>36,629,462</u>

Investments are primarily held to preserve the capital whilst waiting for appropriate property investment opportunities to arise.

10. DEBTORS

	2014		2013	
	£	£	£	£
	Group	Charity	Group	Charity
Trade debtors	11,358	11,358	9,954	9,954
Accrued interest receivable	165,380	165,380	727,788	727,788
VAT	43,421	-	10,603	10,603
Other debtors	99,922	100,022	19,985	19,985
Prepayments	34,029	34,029	18,938	18,938
DSF Developments Ltd	-	270,000	-	-
	<u>354,110</u>	<u>580,789</u>	<u>787,268</u>	<u>787,268</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)

11. CREDITORS

	2014		2013	
	£		£	
	Group	Charity	Group	Charity
Expense creditor	59,585	59,585	40,191	40,191
Development creditor	118,943	118,942	130,146	130,146
Social security & other taxes	16,153	16,153	23,613	23,613
Other creditors	77,200	76,300	15,413	15,413
VAT	43,473	43,473	-	-
Grants payable	22,471	22,471	118,471	118,471
Accruals	740,512	740,512	60,567	60,567
	<u>1,078,337</u>	<u>1,077,437</u>	<u>388,401</u>	<u>388,401</u>

12. REPAIR SINKING FUND (DESIGNATED FUND)

	2014	2013
	£	£
Brought forward	5,000	-
Provision for the year	21,313	5,000
	<u>26,313</u>	<u>5,000</u>

The provision for future major repairs is included in the unrestricted funds. Provision for future major repairs in completed Freehold Properties is at a rate of 5% of gross rents. Provision for major works on Leasehold properties is made by reference to the managing agent's statements. No provision is made where a completed property is still under defect even though let.

13. MOVEMENT ON FUNDS: CHARITY

	Balance 1 April 2013 £	Surplus/ (deficit) £	Exceptional item £	Net losses on investments £	Balance 31 March 2014 £
Unrestricted funds	110,343,399	30,248,285	(2,873,895)	(308,658)	137,409,131
Sinking fund	5,000	21,313	-	-	26,313
	<u>110,348,399</u>	<u>30,269,598</u>	<u>(2,873,895)</u>	<u>(308,658)</u>	<u>137,435,444</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)**

13. MOVEMENT ON FUNDS (Continued): GROUP

	Balance 1 April 2013 £	Surplus/ (deficit) £	Net losses on investments £	Balance 31 March 2014 £
Unrestricted funds	110,343,399	30,247,285	(308,658)	140,282,026
Sinking fund	5,000	21,313	-	26,313
	<u>110,348,399</u>	<u>30,268,598</u>	<u>(308,658)</u>	<u>140,308,339</u>

14. TRUSTEES' EXPENSES

The Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £2,283 (2013- £1,274) were re-imbursed to six Governors for travel expenses incurred for business purposes.

15. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

16. RELATED PARTY TRANSACTIONS

During the year there were no related party transactions.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2014 (Continued)**

17. COMMITMENTS

The Charity and the Group has the following commitments payable within the year to 31 March 2015:

	2014	2013
	£	£
Operating lease on property, expiring in 2 to 5 years	<u>67,432</u>	<u>37,541</u>

Amounts payable under operating leases during the year ended 31 March 2014 amounted to £67,432.

At the year end, the corporate trustee had authorised the following capital commitments for the Charity and the Group:

	2014	2014	2013	2013
	Authorised	Contracted	Authorised	Contracted
	£	£	£	£
One Church Square	646,903	646,903	3,349,043	2,920,123
Churchill Gardens	4,950,000	-	4,712,896	-
Trenchard House	9,263,641	8,340,000	8,480,402	8,340,000
Kings Cross	12,558,267	12,434,535	17,042,821	16,479,773
Cleland House	11,304,673	11,120,000	-	-

Further developments have been agreed in principle by the Governors, up to a total of £40 million, although the exact amounts are yet to be finalised.

**CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2015**

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

(Registered Charity Number: 1110090)

REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2015

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2015**

	Note	2015 £	2014 £
Incoming resources			
Incoming resources from generated funds:			
Deed of gift	2	618,546	28,750,000
Investment income		905,099	2,422,926
Rental income		233,389	95,224
Incoming resources from charitable activities:			
Rental income		1,132,558	520,060
Profit on sale of land		8,019,923	-
Total incoming resources		<u>10,909,515</u>	<u>31,788,210</u>
Resources expended			
Cost of generating funds			
Investment management fees		56,076	20,074
Property management costs		33,237	-
Charitable activities			
Housing support	3	1,052,798	556,842
Strategic development	3	665,123	804,063
Governance	3	144,018	138,633
Other expenditure		94,050	-
Total resources expended		<u>2,045,302</u>	<u>1,519,612</u>
Net incoming resources before (losses)/ gains on investments		8,864,213	30,268,598
Net realised and unrealised (losses)/ gains on investments		(341,441)	(308,658)
Amortisation of goodwill		(18,182)	-
Net movement for the year		<u>8,504,590</u>	<u>29,959,940</u>
Balance brought forward at 1 April		140,308,339	110,348,399
Balance carried forward at 31 March		<u>148,812,929</u>	<u>140,308,339</u>

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2015**

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Freehold buildings	6		16,318,500		16,371,066
Leasehold buildings	7		7,482,189		5,212,568
Land and buildings under development	8		43,161,394		27,590,863
Tangible fixed assets	9		54,423		80,754
Investments	10		51,608,555		54,234,325
			118,625,061		103,489,576
CURRENT ASSETS					
Debtors and prepayments	11	1,424,658		580,789	
Cash at bank	12	29,405,371		34,442,516	
		30,830,029		35,023,305	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	(3,038,603)		(1,077,437)	
NET CURRENT ASSETS			27,791,426		33,945,868
NET ASSETS			146,416,487		137,435,444
Represented by:-					
Unrestricted funds			146,416,487		137,435,444
TOTAL FUNDS	15		146,416,487		137,435,444

Approved and authorised for issue by the Trustee on 21 July 2015 and signed on its behalf

(Chairman of Governors)

(Governor)

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED BALANCE SHEET AS AT
31 MARCH 2015**

	Note	£	2015 £	£	2014 £
FIXED ASSETS					
Goodwill	5		345,457		-
Freehold buildings	6		38,302,972		16,371,066
Leasehold buildings	7		7,482,189		5,212,568
Land and buildings under development	8		46,367,669		30,689,164
Tangible fixed assets	9		54,423		80,754
Investments	10		28,861,214		54,234,225
			121,413,924		106,587,777
 CURRENT ASSETS					
Debtors and prepayments	11	1,028,057		354,110	
Cash at bank	12	29,446,610		34,444,789	
		30,474,667		34,798,899	
 CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	(3,075,662)		(1,078,337)	
 NET CURRENT ASSETS					
			27,399,005		33,720,562
 NET ASSETS					
			148,812,929		140,308,339
 Represented by:-					
Unrestricted funds			148,812,929		140,308,339
TOTAL FUNDS	15		148,812,929		140,308,339

Approved and authorised for issue by the Trustee on 21 July 2015 and signed on its behalf

(Chairman of Governors)

(Governor)

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 £	2014 £
Net cash (outflow) inflow from operating activities	i	1,286,674	28,548,217
Capital expenditure and financial investment	ii	(7,352,732)	(18,430,485)
Returns on investments and servicing of finance		(6,066,058)	10,117,732
Investment income received		1,067,879	3,063,976
Increase/(Decrease) in cash	iii	<u>(4,998,179)</u>	<u>13,181,708</u>
 i RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Net incoming resources for the year		8,504,590	29,959,940
Depreciation of tangible fixed assets		193,442	31,992
Amortisation of goodwill		18,182	-
(Profit)/Loss on disposal of fixed assets		(8,019,923)	208
Increase in debtors		(815,963)	(129,250)
Loss on investments		341,441	308,658
Increase in creditors		1,970,004	689,937
Investment income receivable		(905,099)	(2,422,926)
Increase in accrued income in investments		-	109,658
Net cash(outflow)/ inflow from operating activities		<u>1,286,674</u>	<u>28,548,217</u>
 ii CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of fixed assets		(5,042)	(21,908)
Purchase of land and buildings		(45,056,797)	(13,492,185)
Purchase of investments		(357,085)	(14,210,228)
		<u>(45,418,924)</u>	<u>(27,724,321)</u>
Proceeds from the sale of investments		5,850,000	29,734,647
(Increase)/Decrease in portfolio cash		19,181,573	(20,440,811)
Proceeds from the sale of land under development		13,034,619	-
		<u>38,066,192</u>	<u>9,293,836</u>
		<u>(7,352,732)</u>	<u>(18,430,485)</u>
 iii ANALYSIS OF THE CHANGE IN NET FUNDS			
		1 April 2014	Change in year
			31 March 2015
Cash at bank		<u>34,444,789</u>	<u>(4,998,179)</u>
			<u>29,446,610</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES

(a) Basis of accounting

These accounts are prepared under the historical cost convention in accordance with applicable accounting standards and comply with the Statement of Recommended Practice: 'Accounting and Reporting by Charities' issued by the Charity Commissioners for England and Wales as revised in 2005.

(b) Grants and donations

Grants and donations receivable are accounted for as soon as their amount and receipt are reasonably certain.

(c) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

(d) Resources expended

Expenditure is included on an accruals basis. Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives.

Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff and overhead expenses and fees payable to advisers in conjunction with the development of the charity's objects.

Governance costs comprise statutory and constitutional costs for the running of the Group itself as an organisation.

(e) Tangible fixed assets

All tangible assets are shown at cost less depreciation.

Completed properties will be subject to annual valuations by the Governors. The Group's policy is to depreciate the properties over their expected useful life, the default for new build properties being 100 years.

Land is not depreciated.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

1. ACCOUNTING POLICIES (Continued)

Leasehold properties are amortised over the remainder of the lease.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Office improvements	20% straight line
Furniture in leasehold property	33% straight line

(f) Buildings in development

Developments are shown at cost of acquisition and spend to date. Once completed and let the property will be treated on the same basis as the other buildings used for charitable purposes.

(g) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Group's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(h) Pension costs

The Group contributed to a defined contribution scheme pension scheme administered by an independent company and to employees personal pension schemes. The pension costs represent the contributions payable by the Group to the schemes for the year.

(i) Lease commitments

Rental paid under operating leases is charged to income on a straight-line basis over the lease term.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

1. ACCOUNTING POLICIES (Continued)

(j) Consolidation

The consolidated financial statements incorporate the financial statements of the Charity and all subsidiaries. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of entities acquired or disposed of are included in the income and expenditure account after or up to the date that control passes respectively.

Only the financial activity of the Group is shown in the consolidated statement of financial activities. The Charity had gross income of £2,821,992 in the year a net movement on reserves of £8,981,043 after taking into account an exceptional gain of £8,019,923.

2. DEED OF GIFT

Deed of Gift relates to the amounts received in the year in accordance with the Deed of Gift between Dolphin Square Trust Limited and Dolphin Square Charitable Trustee Limited as trustee of the Charity as a result of the sale by Dolphin Square Trust and Westminster City Council of their interest in Dolphin Square.

3. RESOURCES EXPENDED

	2015		2014	
	Group	Charity	Group	Charity
Charitable activities				
Housing support costs				
Staff costs	275,535	275,535	200,383	200,383
Grants payable	84,186	84,186	33,560	33,560
Property management	286,669	207,624	179,997	179,997
Office costs	47,035	43,352	43,960	43,960
Legal and professional fees	173,915	106,915	88,861	88,861
Support costs	23,389	20,029	10,181	10,181
Depreciation - Buildings	162,069	146,541	-	-
	<u>1,052,798</u>	<u>884,182</u>	<u>556,942</u>	<u>556,942</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

3. RESOURCES EXPENDED (Continued)	2015 £		2014 £	
	Group	Charity	Group	Charity
Strategic development costs				
Staff costs	434,672	434,672	419,276	419,276
Direct costs	107,397	107,397	247,774	247,774
Property management	-	-	-	-
Office costs	66,831	66,831	62,565	62,565
Legal and professional fees	44,090	44,090	65,871	65,871
Other	12,133	12,133	8,577	8,577
	<u>665,123</u>	<u>665,123</u>	<u>804,063</u>	<u>804,063</u>
Governance				
Staff costs	78,609	74,109	72,788	72,788
Office costs	20,157	20,157	20,914	20,914
Legal and professional fees	24,452	17,738	20,687	20,687
Audit fees	20,800	16,200	15,666	14,666
Other costs	-	-	8,576	8,576
	<u>144,018</u>	<u>128,204</u>	<u>138,633</u>	<u>137,633</u>

Support costs are either directly allocated to the activity e.g. salaries, or shared pro rata between the three activities e.g. premises costs.

During the year, a full review was carried out of the allocations of property management costs included in charitable activities and costs of generating funds. Given timing and the cost involved, it was not felt necessary to restate the comparatives for this updated allocation.

Grants comprise:	2015 £		2014 £	
	Group	Charity	Group	Charity
Amounts included in prior year creditors	(22,471)	(22,471)	(118,471)	(118,471)
Paid in the year	106,657	106,657	129,560	129,560
Amounts included in creditors at year end	-	-	22,471	22,471
	<u>84,186</u>	<u>84,186</u>	<u>33,560</u>	<u>33,560</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

4. STAFF COSTS	2015	2014
	£	£
Gross salaries	556,705	565,016
Employer's NI contributions	56,990	65,040
Employer's pension contributions	18,379	19,911
	<u>632,074</u>	<u>649,967</u>

The average number of employees in the year was eight (2014: ten). Employees are divided between housing support, strategic development and governance and management, 3:4:1, respectively.

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2015	2014
£60,000 - £69,999	-	1
£120,000 - £129,999	-	1
£130,000 - £139,999	1	-

Pension payments of £18,379 were made during the year in respect of eleven of the employees (2014: £19,911).

5. GOODWILL	Goodwill	Total
	£	£
Cost		
At 1 April 2014	-	-
Additions	363,639	363,639
	<u>363,639</u>	<u>363,639</u>
At 31 March 2015	363,639	363,639
Amortisation		
At 1 April 2014	-	-
Amortisation Charge	18,182	18,182
	<u>18,182</u>	<u>18,182</u>
At 31 March 2015	18,182	18,182
Net Book Value		
At 1 April 2014	-	-
At 31 March 2015	<u>345,457</u>	<u>345,457</u>

The assets were acquired during the year. The goodwill will be amortised over 5 years.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

5.	GOODWILL (continued)	£
	Purchase of subsidiary undertaking	
	Fixed Assets	22,000,000
	Cash at bank and in hand	390,156
	Trade Debtors	14,467
	Other Debtors	6,298
	Trade Creditors	-
	Accruals	(27,319)
	Other Creditors	-
		22,383,602
	Goodwill	363,639
		22,747,241

During the year ended 31st March 2015 the Charity acquired 100% of the Issued share capital of Hoxton Holdco Limited.

6. FREEHOLD LAND AND BUILDINGS: CHARITY

	Land	Buildings	Total
	£	£	£
Cost at 1 April 2014	8,212,119	8,158,947	16,371,066
Additions	-	29,317	29,317
Depreciation	-	(81,883)	(81,883)
Net book value at 31 March 2015	8,212,119	8,106,381	16,318,500
Net book value at 31 March 2014	8,212,119	8,158,947	16,371,066

FREEHOLD LAND AND BUILDINGS : GROUP

	Land	Buildings	Total
	£	£	£
Cost at 1 April 2014	8,212,119	8,158,947	16,371,066
Additions	18,894,338	3,134,979	22,029,317
Depreciation	-	(97,411)	(97,411)
Net book value at 31 March 2015	27,106,457	11,196,515	38,302,972
Net book value at 31 March 2014	8,212,119	8,158,947	16,371,066

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

7. LEASEHOLD BUILDINGS	Charity £	Group £
Cost at 1 April 2014	5,212,568	5,212,568
Additions	2,334,279	2,334,279
Amortisation	(64,658)	(64,658)
	<hr/>	<hr/>
Net book value at 31 March 2015	7,482,189	7,482,189
	<hr/>	<hr/>
Net book value at 31 March 2014	5,212,568	5,212,568
	<hr/>	<hr/>

8. LAND AND BUILDINGS UNDER DEVELOPMENT: CHARITY

	Land £	Buildings under development £	Total £
Cost at 1 April 2014	12,506,769	15,084,094	27,590,863
Additions	-	20,585,229	20,585,229
Disposals	(4,756,769)	(257,929)	(5,014,698)
	<hr/>	<hr/>	<hr/>
Cost at 31 March 2015	7,750,000	35,411,394	43,161,394
	<hr/>	<hr/>	<hr/>

LAND AND BUILDINGS UNDER DEVELOPMENT: GROUP

	Land £	Buildings under development £	Total £
Cost at 1 April 2014	14,853,060	15,836,104	30,689,164
Additions	-	20,693,203	20,693,203
Disposals	(4,756,769)	(257,929)	(5,014,698)
	<hr/>	<hr/>	<hr/>
Cost at 31 March 2015	10,096,291	36,271,378	46,367,669
	<hr/>	<hr/>	<hr/>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

9. TANGIBLE FIXED ASSETS: GROUP AND CHARITY

	Office Improvements	Furniture in properties	Computer and Office Equipment	Total
	£	£	£	£
COST				
Cost at 1 April 2014	54,501	21,616	63,199	139,316
Additions	1,140	627	3,275	5,042
Cost at 31 March 2015	<u>55,641</u>	<u>22,243</u>	<u>66,474</u>	<u>144,358</u>
DEPRECIATION				
Balance at 1 April 2014	12,736	7,772	38,054	58,562
Charge in the year	11,039	7,108	13,226	31,373
Balance at 31 March 2015	<u>23,775</u>	<u>14,880</u>	<u>51,280</u>	<u>89,935</u>
Net book value at 31 March 2015	<u>31,866</u>	<u>7,363</u>	<u>15,194</u>	<u>54,423</u>
Net book value at 31 March 2014	<u>41,765</u>	<u>13,844</u>	<u>25,145</u>	<u>80,754</u>

10. FIXED ASSET INVESTMENTS: CHARITY

	2015 £	2014 £
Market value at 1 April 2014	11,472,943	13,185,330
Additions	-	14,022,028
Purchase of shares	1,345,156	-
Loans made to subsidiary	21,402,085	-
Disposals	(6,038,846)	(15,477,879)
Unrealised losses	(152,595)	(256,539)
Market value at 31 March 2015	<u>28,028,743</u>	<u>11,472,940</u>
Cash held as an investment	23,579,812	42,761,385
Total market value at 31 March 2015	<u>51,608,555</u>	<u>54,234,325</u>
Historical cost at 31 March 2015	<u>51,847,063</u>	<u>54,465,928</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)**

10. FIXED ASSET INVESTMENTS (Continued)

Market values at 31 March 2015 are analysed as:	2015	2014
	£	£
Bonds	5,281,402	11,472,840
Investment in subsidiaries	100	100
Purchase of Shares	1,345,156	-
Loans made to subsidiary	21,402,085	-
Cash	23,579,812	42,761,385
	<u>51,608,555</u>	<u>54,234,325</u>

Investments in cash and bonds are primarily held to preserve the capital whilst waiting for appropriate property investment opportunities to arise.

Included in the Fixed Asset Investments owned by the Charity are investments of £22,747,241 in wholly owned subsidiaries, DSF Developments Limited and Hoxton Holdco Limited, which are consolidated in the Group balance sheet.

On 19th December 2014 the Charity acquired the entire issued share capital of Hoxton Holdco Limited, a company incorporated in Jersey, for a consideration of £885,976. The consideration was paid in cash, and no deferred consideration is payable. The Charity also made loans to Hoxton Holdco Limited amounting to £21,402,085 to enable Hoxton Holdco Limited to settle its loans. The investment and loans are included in Fixed Asset Investments in the accounts of the Charity and are consolidated using acquisition accounting in the Group balance sheet. Also included are the acquisition costs of £459,180.

Hoxton Holdco Limited owns the entire issued share capital of Hoxton Regeneration Limited, a company incorporated in the England. Hoxton Regeneration Limited owns the freehold of the New Era estate in Hackney. The value of the New Era estate has been included in note 6 as an addition to Land and Buildings for the Group.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

10. FIXED ASSET INVESTMENTS (Continued): GROUP

	2015 £	2014 £
Market value at 1 April 2014	11,472,840	13,185,230
Additions	-	14,022,028
Disposals	(6,038,846)	(15,477,879)
Unrealised losses	(152,592)	(256,539)
Market value at 31 March 2015	<u>5,281,402</u>	<u>11,472,840</u>
Cash held as an investment	23,579,812	42,761,385
Total market value at 31 March 2015	<u>28,861,214</u>	<u>54,234,225</u>
Historical cost at 31 March 2015	<u>29,099,722</u>	<u>54,465,928</u>
Market values at 31 March 2015 are analysed as:	2015 £	2014 £
Bonds	5,281,402	11,472,840
Cash	23,579,812	42,761,385
	<u>28,861,214</u>	<u>54,234,225</u>

Investments which individually represent more than 5% of the portfolio by market value are:

Cash	<u>23,579,812</u>	<u>42,761,285</u>
------	-------------------	-------------------

11. DEBTORS

	2015 £		2014 £	
	Group	Charity	Group	Charity
Trade debtors	44,418	30,568	11,358	11,358
Accrued interest	2,600	2,600	165,380	165,380
VAT	1,000	-	43,421	-
Other debtors	944,573	928,786	99,922	100,022
Prepayments	35,466	35,466	34,029	34,029
Intra group debts	-	427,238	-	270,000
	<u>1,028,057</u>	<u>1,424,658</u>	<u>354,110</u>	<u>580,789</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

11. DEBTORS (Continued)

During the year the Charity loaned funds to subsidiaries under loan agreements and agreements to provide support. At the year end the Charity was owed £377,115 by DSF Developments Limited (2014: £270,000), £29,900 (2014: £Nil) by Dolphin Living Limited and £9,523 (2014: £Nil) by Hoxton Regeneration Limited, all wholly owned subsidiaries of the Charity.

12. CASH AT BANK

An amount of £1,676,481 is currently held in reserve for specific development costs.

13. CREDITORS

	2015		2014	
	Group	Charity	Group	Charity
Expense creditor	39,648	32,934	59,585	59,585
Development creditor	81,744	81,744	118,943	118,942
Social security & other taxes	19,876	18,976	16,153	16,153
Other creditors	71,945	71,945	77,200	76,300
VAT	2,586,140	2,586,140	43,473	43,473
Grants payable	-	-	22,471	22,471
Accruals	276,309	246,864	740,512	740,512
	<u>3,075,662</u>	<u>3,038,603</u>	<u>1,078,337</u>	<u>1,077,436</u>

14. REPAIR SINKING FUND (DESIGNATED FUND)

	2015	2014
	£	£
Brought forward	26,313	5,000
Provision for the year	49,983	21,313
	<u>76,296</u>	<u>26,313</u>

The provision for future major repairs is included in the unrestricted funds. Provision for future major repairs in completed Freehold buildings is at a rate of 5% of gross rents. Provision for major works on Leasehold buildings is made by reference to the managing agent's statements. No provision is made where a completed building is still under defect even though let, neither has any provision been made for the New Era estate where significant funds have been allocated to capital expenditure for repairs and renewals on the estate.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)

15. MOVEMENT ON FUNDS: CHARITY

	Balance 1 April 2014 £	Surplus/ (deficit) £	Exceptional item £	Net losses on investments £	Balance 31 March 2015 £
Unrestricted funds	137,409,131	1,252,578	8,019,923	(341,441)	146,340,191
Sinking fund	26,313	49,983	-	-	76,296
	<u>137,435,444</u>	<u>1,302,561</u>	<u>8,019,923</u>	<u>(341,441)</u>	<u>146,416,487</u>

MOVEMENT ON FUNDS: GROUP

	Balance 1 April 2014 £	Surplus/ (deficit) £	Exceptional item £	Net losses on investments £	Balance 31 March 2015 £
Unrestricted funds	140,282,026	776,125	8,019,923	(341,441)	148,736,633
Sinking fund	26,313	49,983	-	-	76,296
	<u>140,308,339</u>	<u>826,108</u>	<u>8,019,923</u>	<u>(341,441)</u>	<u>148,812,929</u>

16. TRUSTEES' EXPENSES

The Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £1,084(2014- £2,283) were reimbursed to three Governors for travel entertaining and subsistence expenses incurred for business purposes.

17. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

18. RELATED PARTY TRANSACTIONS

During the year the Charity loaned funds to subsidiary entities to meet operating and developer costs. The year end balances are disclosed in debtors.

Advantage has been taken of the exemption from disclosing transactions and balances within the group undertakings as permitted by Financial Reporting Standard 8.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2015 (Continued)**

19. COMMITMENTS

The Charity and the Group has the following commitments payable within the year to 31 March 2015:

	2015	2014
	£	£
Operating lease on property, expiring in 2 to 5 years	<u>68,083</u>	<u>67,432</u>

Amounts payable under operating leases during the year ended 31 March 2015 amounted to £68,083.

At the year end, the corporate trustee had authorised the following capital commitments for the Charity and the Group:

	2015	2015	2014	2014
	Authorised	Contracted	Authorised	Contracted
	£	£	£	£
Churchill Gardens	2,000,000	380,634	4,950,000	-
Trenchard House	2,548,000	2,548,000	9,263,641	8,340,000
Kings Cross	2,457,737	2,457,737	12,558,267	12,434,535
Cleland House	7,918,870	7,918,870	11,304,673	11,120,000
Newington Butts	15,277,000	15,277,000	-	-

Further developments have been agreed in principle by the Governors, up to a total of £40 million, although the exact amounts are yet to be finalised.

**CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2016**

THE DOLPHIN SQUARE CHARITABLE FOUNDATION

(Registered Charity Number: 1110090)

REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2016

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £	2015 £
Income and endowments from:			
Donations and legacies		-	618,546
Charitable activities		2,240,326	1,132,558
Other trading activities		382,735	233,389
Investment income		405,277	905,099
Profit on sale of land and buildings		230,404	8,019,923
Total		<u>3,258,742</u>	<u>10,909,515</u>
 Expenditure on:			
Raising funds			
Investment management fees		21,784	56,076
Property management costs		125,623	33,237
Charitable activities			
Housing support	3	1,738,463	1,109,506
Strategic development	3	906,635	752,433
Finance Costs		100,414	-
Other expenditure		-	94,050
Total resources expended		<u>2,892,919</u>	<u>2,045,302</u>
Net incoming resources before (losses)/ gains on investments		365,823	8,864,213
Net (losses) on investments		(125,479)	(341,441)
Net income		<u>240,344</u>	<u>8,522,772</u>
Amortisation of goodwill		(72,728)	(18,182)
Net movement for the year		<u>167,616</u>	<u>8,504,590</u>
Balance brought forward at 1 April		148,812,929	140,308,339
Balance carried forward at 31 March		<u>148,980,545</u>	<u>148,812,929</u>

All amounts relate to continuing operations. All gains and losses recognised in the year are included in the Statement of Financial Activities.

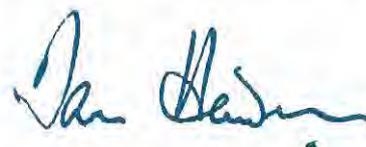
The notes on pages 19 to 34 form part of the financial statements

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
BALANCE SHEET AS AT
31 MARCH 2016**

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Freehold buildings	6		15,822,679		16,318,500
Leasehold buildings	7		45,410,640		7,482,189
Land and buildings under development	8		33,987,714		43,161,394
Tangible fixed assets	9		36,028		54,423
Investments	10		85,336,625		51,608,555
			180,593,686		118,625,061
CURRENT ASSETS					
Debtors and prepayments	11	5,916,547		1,424,658	
Cash at bank	12	21,924,406		29,405,371	
		27,840,953		30,830,029	
LIABILITIES					
Creditors: amounts falling due within one year	13	(3,213,013)		(3,038,603)	
NET CURRENT ASSETS					
			24,627,940		27,791,426
TOTAL ASSETS LESS CURRENT LIABILITIES					
			205,221,626		146,416,487
Creditors: amounts falling due after more than one year	14		(57,406,086)		-
NET ASSETS					
			147,815,540		146,416,487
Represented by:					
Unrestricted funds:			147,815,540		146,416,487
TOTAL FUNDS	16		147,815,540		146,416,487

Approved and authorised for issue by the Trustee on 19 July 2016 and signed on its behalf

(Chairman of Governors)



(Governor)



The notes on pages 19 to 34 form part of the financial statements

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED BALANCE SHEET AS AT
31 MARCH 2016**

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Goodwill	5		272,727		345,457
Freehold buildings	6		38,401,149		38,302,972
Leasehold buildings	7		45,410,640		7,482,189
Land and buildings under development	8		38,837,811		46,367,669
Tangible fixed assets	9		36,028		54,423
Investments	10		62,589,284		28,861,214
			185,547,639		121,413,924
CURRENT ASSETS					
Debtors and prepayments	11	2,309,929		1,028,057	
Cash at bank	12	22,033,534		29,446,610	
		24,343,463		30,474,667	
LIABILITIES					
Creditors: amounts falling due within one year	13	(3,504,471)		(3,075,662)	
NET CURRENT ASSETS			20,838,992		27,399,005
TOTAL ASSETS LESS CURRENT LIABILITIES			206,386,631		148,812,929
Creditors: amounts falling due after more than one year	14		(57,406,086)		-
NET ASSETS			148,980,545		148,812,929
Represented by:					
Unrestricted funds:			148,980,545		148,812,929
TOTAL FUNDS	16		148,980,545		148,812,929

Approved and authorised for issue by the Trustee on 19 July 2016 and signed on its behalf

(Chairman of Governors)

(Governor)

The notes on pages 19 to 34 form part of the financial statements

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £	2015 £
Cash flows from operating activities:			
Net cash used in operating activities	a	(855,794)	1,286,674
Cash flows from investing activities:			
Dividends, interest and rents from investments		402,013	1,067,879
Proceeds from the sale of property, plant and equipment		646,377	13,034,619
Purchase of property, plant and equipment		(31,278,845)	(45,061,839)
Proceeds from sale of investments		22,617,391	25,031,573
Purchase of investments		(56,470,939)	(357,085)
Net cash used in investing activities		(64,084,003)	(6,284,853)
Cash flows from financing activities:			
Repayments of borrowing		(5,745)	-
Cash inflows from new borrowing		57,532,466	-
Net cash provided by (used in) financing activities		57,526,721	-
Cash and cash equivalents:			
Change in the reporting period		(7,413,076)	(4,998,179)
Balance brought forward at 1 April 2016		29,446,610	34,444,789
Cash and cash equivalents at the end of the reporting period		22,033,534	29,446,610
Note			
a. Reconciliation of cash flows from operating activities			
Net income for the reporting period		167,616	8,504,591
Adjustments for:			
Depreciation charges		457,226	211,624
Losses on investments		125,479	341,441
Dividends, interest and rents from investments		(405,277)	(905,099)
Profit on the sale of fixed assets		(230,404)	(8,019,923)
Increase in debtors		(1,257,954)	(815,963)
Increase in creditors		287,520	1,970,003
Net cash used in operating activities		(855,794)	1,286,674

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016

1. CHARITY INFORMATION

The Charity is registered with the Charity Commission, registration number 1110090. The registered address of the Charity is 11 Belgrave Road, London, SW1V 1RB.

2. ACCOUNTING POLICIES

(a) Going Concern

These accounts are prepared on a going concern basis. There are no material uncertainties over the Group's ability to continue as a going concern.

(b) Reconciliation with previous generally accepted accounting practice

In preparing the accounts, the trustee has considered whether in applying the accounting policies required by FRS 102 and the Charities SORP (FRS 102) the restatement of comparative items was required. In their estimation, the impact of transitioning is not material to the financial statements and therefore the restatement of comparative items is not required. The transition date was 1 April 2015.

(c) Basis of accounting

The accounts have been prepared in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Charities Act 2011 and UK Generally Accepted Practice, as it applies from 1 January 2015.

The accounts have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The Charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

The financial statements of the Charity and its four subsidiaries are consolidated, on a line-by-line basis, to produce group financial statements. The consolidated entity is referred to as 'the Group'. Only the financial activity of the Group is shown in the consolidated statement of financial activities. The Charity had gross income of £3,508,430 in the year and a net movement on reserves of £1,554,921 after taking into account a profit on disposal of land and buildings of £230,404.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

2. ACCOUNTING POLICIES (Continued)

(d) Grants and donations

Grants and donations are recognised when the Charity is entitled to the income, the receipt is probable and the amount can be quantified with reasonable accuracy.

(e) Rental Income

Rental income is recognised as it falls due. Rental income charged at sub market rates is recognised as income from charitable activities. All other rental income is recognised as income from other trading activities.

(f) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Charity's accounting policies, which are described in this note, judgements, estimates, and assumptions are made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There are no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)**

2. ACCOUNTING POLICIES (Continued)

(g) Investment income

Dividends and interest income are included in incoming resources on a receivable basis.

(h) Resources expended

Expenditure is included on an accruals basis.

Costs of charitable activities comprise all the resources applied by the Charity in undertaking its work to meet its charitable objectives. Housing support costs comprise staff and overhead costs and grants payable in support of housing projects.

Grants payable are accounted for in the Statement of Financial Activities in the year in which they are authorised. Any amounts which have been authorised but which remain unpaid at the year-end are included within the current liabilities in the balance sheet.

Strategic development costs comprise staff costs, overheads and fees payable to advisers in conjunction with the development of the Charity's objects.

(i) Tangible fixed assets

All tangible assets are shown at cost less depreciation.

The Group's policy is to depreciate the properties over their expected useful life, the default for new build properties being 100 years.

Land is not depreciated.

Leasehold properties are amortised over the remainder of the lease.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives.

Depreciation will be calculated on the following basis;

Office and computer equipment	33% straight line
Office improvements	20% straight line
Furniture in tenanted property	33% straight line

(j) Buildings in development

Developments are shown at cost of acquisition and spend to date after taking into account any impairment in value. No depreciation is charged on developments until such time as they are completed.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

2. ACCOUNTING POLICIES (Continued)

(k) Investments

Fixed asset investments are stated in the balance sheet at market value where there is a readily available market price. It is the Group's policy to keep valuations up to date so that when investments are sold, no gain or loss arises. As a result, the Statement of Financial Activities includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. The Statement of Financial Activities does not distinguish between the valuations adjustments relating to sales and those relating to continued holdings, as they are treated together as changes in the value of the investment portfolio.

(l) Goodwill and amortisation

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Goodwill	20% straight line
----------	-------------------

(m) Pension costs

The Group contributed to a defined contribution scheme pension scheme administered by an independent company and to employees personal pension schemes. The pension costs represent the contributions payable by the Group to the schemes for the year.

(n) Lease commitments

Rental paid under operating leases is charged to income on a straight-line basis over the lease term.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

2. ACCOUNTING POLICIES (Continued)

(o) Business combinations

The consolidated financial statements incorporate the financial statements of the Charity and all subsidiaries. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of entities acquired or disposed of are included in the income and expenditure account after or up to the date that control passes respectively.

(p) Financial instruments

Financial assets and liabilities are measured at fair value which is the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

At the balance sheet date, the Group held financial assets at amortised cost of £24,343,463 (2015: £30,474,668), investment assets at fair value through income and expenditure of £62,589,284 (2015: £28,861,214) and financial liabilities at amortised cost of £60,910,557 (2015: £3,075,662).

3. RESOURCES EXPENDED

	2016		2015	
	Group	Charity	Group	Charity
Charitable activities				
Housing support costs				
Staff costs	419,158	284,753	306,488	304,716
Grants payable	55,151	55,151	84,186	84,186
Property management	715,332	409,431	286,669	207,624
Office costs	87,329	57,845	54,972	51,289
Legal and professional fees	74,609	53,504	183,543	113,900
Support costs	20,091	20,091	23,389	20,027
Audit fees	10,212	5,232	8,190	6,379
Depreciation: buildings	356,581	290,089	162,069	146,541
	<u>1,738,463</u>	<u>1,176,096</u>	<u>1,109,506</u>	<u>934,662</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

3. RESOURCES EXPENDED (Continued)	2016		2015	
	Group	Charity	Group	Charity
Strategic development costs				
Staff costs	420,892	385,835	482,328	479,600
Direct costs	277,483	232,271	107,397	107,397
Office costs	85,857	77,900	79,051	79,051
Legal and professional fees	94,772	74,052	58,914	54,844
Audit fees	11,344	7,648	12,610	9,821
Other	16,287	16,282	12,133	12,133
	<u>906,635</u>	<u>793,988</u>	<u>752,433</u>	<u>742,846</u>

Support costs are either directly allocated to the activity e.g. salaries, or shared pro rata between the activities e.g. premises costs.

Legal and professional fees include payments made to Crowe Clark Whitehill for accountancy and tax services. These payments total £6,355 for the Group.

Grants comprise:	2016		2015	
	Group	Charity	Group	Charity
Amounts included in prior year creditors	-	-	(22,471)	(22,471)
Paid in the year	55,151	55,151	106,657	106,657
	<u>55,151</u>	<u>55,151</u>	<u>84,186</u>	<u>84,186</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

4. STAFF COSTS	2016	2015
	£	£
Gross salaries	622,993	556,705
Employer's NI contributions	72,773	56,990
Employer's pension contributions	22,278	18,379
	<hr/>	<hr/>
	718,044	632,074
	<hr/>	<hr/>
Key management benefits	507,970	400,985
	<hr/>	<hr/>

The average number of employees in the year was twelve (2015: eleven). Employees are divided between housing support and strategic development, 7:5, respectively.

The number of employees whose emoluments, excluding pensions, exceeded £60,000 was:

	2016	2015
£60,000 - £69,999	3	-
£70,000 - £79,999	2	-
£130,000 - £139,999	-	1
£140,000 - £149,999	1	-

Pension payments of £22,278 were made during the year in respect of eleven of the employees (2015: £18,379).

5. GOODWILL	Total
	£
Cost	
At 1 April 2015	363,639
Additions	-
	<hr/>
At 31 March 2016	363,639
	<hr/>
Amortisation	
At 1 April 2015	18,182
Amortisation Charge	72,730
	<hr/>
At 31 March 2016	90,912
	<hr/>
Net Book Value	
At 1 April 2015	345,457
	<hr/>
At 31 March 2016	272,727
	<hr/>

The goodwill will be amortised over 5 years.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

6. FREEHOLD LAND AND BUILDINGS: GROUP

	Land	Buildings	Total
	£	£	£
COST			
Cost at 1 April 2015	27,106,457	11,293,926	38,400,383
Additions	-	660,490	660,490
Disposal	(314,286)	(101,687)	(415,973)
Cost at 31 March 2016	<u>26,792,171</u>	<u>11,852,729</u>	<u>38,644,900</u>
DEPRECIATION			
Balance at 1 April 2015	-	97,411	97,411
Charge in the year	-	148,289	148,289
Disposal	-	(1,949)	(1,949)
Balance at 31 March 2016	<u>-</u>	<u>243,751</u>	<u>243,751</u>
Net book value at 31 March 2016	<u>26,792,171</u>	<u>11,608,978</u>	<u>38,401,149</u>
Net book value at 31 March 2015	<u>27,106,457</u>	<u>11,196,515</u>	<u>38,302,972</u>

FREEHOLD LAND AND BUILDINGS: CHARITY

	Land	Buildings	Total
	£	£	£
COST			
Cost at 1 April 2015	8,212,119	8,188,264	16,400,383
Additions	-	-	-
Disposal	(314,286)	(101,687)	(415,973)
Cost at 31 March 2016	<u>7,897,833</u>	<u>8,086,577</u>	<u>15,984,410</u>
DEPRECIATION			
Balance at 1 April 2015	-	81,883	81,883
Charge in the year	-	81,797	81,797
Disposal	-	(1,949)	(1,949)
Balance at 31 March 2016	<u>-</u>	<u>161,731</u>	<u>161,731</u>
Net book value at 31 March 2016	<u>7,897,833</u>	<u>7,924,846</u>	<u>15,822,679</u>
Net book value at 31 March 2015	<u>8,212,119</u>	<u>8,106,381</u>	<u>16,318,500</u>

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)**

7. LEASEHOLD BUILDINGS: GROUP AND CHARITY

	Total
	£
COST	
Cost at 1 April 2015	7,546,848
Additions	7,048,810
Transfers from land and buildings under development	31,087,936
	45,683,594
 AMORTISATION	
Balance at 1 April 2015	64,658
Charge in the year	208,296
	272,954
 Net book value at 31 March 2016	45,410,640
Net book value at 31 March 2015	7,482,189

8. LAND AND BUILDINGS UNDER DEVELOPMENT: GROUP

	Land	Buildings under development	Total
	£	£	£
Cost at 1 April 2015	10,096,291	36,271,378	46,367,669
Additions	-	23,558,078	23,558,078
Completions	-	(31,087,936)	(31,087,936)
	10,096,291	28,741,520	38,837,811
Cost at 31 March 2016	10,096,291	28,741,520	38,837,811

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

8. LAND AND BUILDINGS UNDER DEVELOPMENT: CHARITY

	Land £	Buildings under development £	Total £
Cost at 1 April 2015	7,750,000	35,411,394	43,161,394
Additions	-	21,914,256	21,914,256
Completions	-	(31,087,936)	(31,087,936)
Cost at 31 March 2016	<u>7,750,000</u>	<u>26,237,714</u>	<u>33,987,714</u>

9. TANGIBLE FIXED ASSETS: GROUP AND CHARITY

	Office Improvements £	Furniture in properties £	Computer and Office Equipment £	Total £
COST				
Cost at 1 April 2015	55,641	22,243	66,474	144,358
Additions	-	294	11,173	11,467
Cost at 31 March 2016	<u>55,641</u>	<u>22,537</u>	<u>77,647</u>	<u>155,825</u>
DEPRECIATION				
Balance at 1 April 2015	23,775	14,880	51,280	89,935
Charge in the year	11,277	5,224	13,361	29,862
Balance at 31 March 2016	<u>35,052</u>	<u>20,104</u>	<u>64,641</u>	<u>119,797</u>
Net book value at 31 March 2016	<u>20,589</u>	<u>2,433</u>	<u>13,006</u>	<u>36,028</u>
Net book value at 31 March 2015	<u>31,866</u>	<u>7,363</u>	<u>15,194</u>	<u>54,423</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

10. FIXED ASSET INVESTMENTS: GROUP

	2016 £	2015 £
Market value at 1 April 2015	5,281,402	11,472,840
Additions	-	-
Disposals	(4,202,189)	(6,038,846)
Unrealised losses	(33,290)	(152,592)
Market value at 31 March 2016	<u>1,045,923</u>	<u>5,281,402</u>
Cash held as an investment	<u>61,543,361</u>	<u>23,579,812</u>
Total market value at 31 March 2016	<u>62,589,284</u>	<u>28,861,214</u>
Historical cost at 31 March 2016	<u>62,655,260</u>	<u>29,099,722</u>

Market values at 31 March 2016 are analysed as:	2016 £	2015 £
Bonds	1,045,923	5,281,402
Cash	61,543,361	23,579,812
	<u>62,589,284</u>	<u>28,861,214</u>

FIXED ASSET INVESTMENTS: CHARITY

	2016 £	2015 £
Market value at 1 April 2015	28,028,743	11,472,943
Purchase of shares	-	1,345,156
Loans made to subsidiary	-	21,402,085
Disposals	(4,202,189)	(6,038,846)
Unrealised losses	(33,290)	(152,595)
Market value at 31 March 2016	<u>23,793,264</u>	<u>28,028,743</u>
Cash held as an investment	<u>61,543,361</u>	<u>23,579,812</u>
Total market value at 31 March 2016	<u>85,336,625</u>	<u>51,608,555</u>
Historical cost at 31 March 2016	<u>85,402,601</u>	<u>51,847,063</u>

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

10. FIXED ASSET INVESTMENTS: CHARITY (Continued)

Market values at 31 March 2016 are analysed as:	2016	2015
	£	£
Bonds	1,045,923	5,281,402
Investment in subsidiaries	100	100
Purchase of Shares	1,345,156	1,345,156
Loans made to subsidiary	21,402,085	21,402,085
Cash	61,543,361	23,579,812
	<u>85,336,625</u>	<u>51,608,555</u>

Investments in cash and bonds are primarily held to preserve the capital to meet existing capital commitments and for appropriate property investment opportunities as they arise.

Included in the Fixed Asset Investments owned by the Charity are investments of £22,747,341 in wholly owned subsidiaries, DSF Developments Limited and Hoxton Holdco Limited, which are consolidated in the Group balance sheet.

Hoxton Holdco Limited owns the entire issued share capital of Hoxton Regeneration Limited.

Investments which individually represent more than 5% of the portfolio by market value are:

	2016	2015
	£	£
Cash	<u>61,543,361</u>	<u>23,579,812</u>

Subsidiaries

	DSF Developments Limited	Dolphin Living Limited	Hoxton Holdco Limited	Hoxton Regeneration Limited
Company Number	8327131	32446R	114787	597445
Incorporation	England	England	Jersey	England
Shareholding	100%	100%	100%	100%
	2016	2016	2016	2016
	£	£	£	£
Assets	1,990,855	-	20,138,363	22,935,030
Liabilities	2,083,712	148,225	21,479,456	1,768,831
Fund/net assets	92,857	(148,225)	(1,341,093)	21,166,199
Income	-	-	-	827,485
Expenditure	78,662	96,625	825,205	919,207
Profit/(loss)	(78,662)	(96,625)	(825,205)	(91,722)

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

11. DEBTORS

	2016		2015	
	£		£	
	Group	Charity	Group	Charity
Trade debtors	15,299	8,449	44,418	30,568
Accrued interest	3,264	3,264	2,600	2,600
VAT	231,471	224,423	1,000	-
Other debtors	2,004,821	1,962,158	944,573	928,786
Prepayments	55,074	51,436	35,466	35,466
Intra group debts	-	3,666,817	-	427,238
	<u>2,309,929</u>	<u>5,916,547</u>	<u>1,028,057</u>	<u>1,424,658</u>

During the year the Charity provided funds to wholly owned subsidiaries under loan agreements and an agreement to provide support.

At the year end the amounts owed to the Charity by DSF Developments were £1,514,727 (2015:£129,477) under the development agreement, £35,264 (2015: £1,200) for shared costs and £268,470 (2015: £257,238) under a loan agreement. The loan is repayable on demand. All amounts were repaid after year end.

At the year end the amounts owed to the Charity by Hoxton Regeneration Limited were £27,675 (2015: £Nil) for shared costs, £120,160 (2015: £Nil) for expenses, £XXX (2015: £119,968) for a gift, £899,677 (2015: £865,074) and £241,094 (2015: £9,523) under loan agreements. Both loan agreements have a ten year term and are repayable in nine and ten years, respectively.

At the year end the amounts owed to the Charity by Dolphin Living Limited were £145,000 (2015:£29,900) for shared costs and expenses.

At the year end the amount owed to the Charity by Hoxton Holdco Limited was £21,358,491 (2015: £20,537,011) under a loan agreement. The loan is repayable in nine years.

The maximum amount owed by any subsidiary during the financial year is the year end balance.

Amounts owed under each loan agreement incur interest at 3.5% above the base rate. No interest is charged on shared costs.

12. CASH AT BANK

An amount of £93,458 (2015: £1,676,481) is currently held in reserve for specific development costs.

THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016		2015	
	£		£	
	Group	Charity	Group	Charity
Trade creditors	40,295	33,627	39,648	32,934
Development creditors	49,785	49,785	81,744	81,744
Social security & other taxes	23,315	21,290	19,876	18,976
VAT	11,657	11,657	2,586,140	2,586,140
Accruals	2,198,933	1,954,225	276,309	246,864
Development retentions	779,985	779,985	-	-
Loans	141,289	141,289	-	-
Other creditors	259,212	221,155	71,945	71,945
	<u>3,504,471</u>	<u>3,213,013</u>	<u>3,075,662</u>	<u>3,038,603</u>

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

	2016		2015	
	£		£	
Amounts due:	Group	Charity	Group	Charity
One to two years	94,316	94,316	-	-
Two to five years	307,326	307,326	-	-
More than five years	57,004,444	57,004,444	-	-
	<u>57,406,086</u>	<u>57,406,086</u>	<u>-</u>	<u>-</u>

The interest rate on £53.5 million of the debt is fixed at 3.73% until 2046. The interest rate on £5 million of the debt is floating at 2.75% above Bank of England base rate until 2041.

15. REPAIR SINKING FUND (DESIGNATED FUND)

	2016	2015
	£	£
Brought forward	76,296	26,313
Provision for the year	124,000	49,983
	<u>200,296</u>	<u>76,296</u>

The repair sinking fund is a designated fund included in unrestricted funds. Provisions are made in this fund for long term repair and renewal costs for both individual units and freehold buildings. Provisions are made reflecting current best estimates of future costs and when they are likely to be incurred. For buildings owned under a long leasehold long term repair costs are paid through the service charge recognised in the income and expenditure account and are not reflected in this designated fund. No provision has been made for properties where a capital works programme is underway and the future expenditure is reflected in financial commitments.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)**

16. MOVEMENT ON RESERVES: GROUP

	Balance 1 April 2015 £	Surplus/ (deficit) £	Net losses on Investments	Balance 31 March 2016 £
Unrestricted funds	148,736,633	169,095	(125,479)	148,780,249
Sinking fund	76,296	124,000	-	200,296
	<u>148,812,929</u>	<u>293,095</u>	<u>(125,479)</u>	<u>148,980,545</u>

MOVEMENT ON RESERVES: CHARITY

	Balance 1 April 2015 £	Surplus/ (deficit) £	Net losses on Investments £	Balance 31 March 2016 £
Unrestricted funds	146,340,191	1,400,532	(125,479)	147,615,244
Sinking fund	76,296	124,000	-	200,296
	<u>146,416,487</u>	<u>1,524,532</u>	<u>(125,479)</u>	<u>147,815,540</u>

17. TRUSTEES' EXPENSES

The Governors of Dolphin Square Charitable Foundation received no remuneration during the year. Expenses of £2,149 (2015: £1,084) were reimbursed to one (2015: two) Governor for travel, entertaining and subsistence expenses incurred for business purposes.

18. CONTROLLING PARTY

The ultimate controlling party is the Dolphin Square Charitable Trustee Limited, which is the trustee for the Charity.

19. RELATED PARTY TRANSACTIONS

The group operates a cost sharing agreement whereby support costs are shared between the entities within the group. The employees are jointly employed by all group operating entities. The details of these and other related party transactions can be found in the investment and debtors notes above.

**THE DOLPHIN SQUARE CHARITABLE FOUNDATION
NOTES TO THE ACCOUNTS
YEAR ENDED 31 MARCH 2016 (continued)**

20. COMMITMENTS

The Charity and the Group has the following commitments payable within the year to 31 March 2016:

OPERATING LEASE: GROUP AND CHARITY	2016	2015
	£	£
Lease payments within one year	69,113	68,083
Lease payments later than one year not later than five years	276,533	276,533
	<hr/>	<hr/>

Amounts payable under operating leases during the year ended 31 March 2016 amounted to £70,033.

At the year end, the corporate trustee had authorised the following capital commitments for the Charity and the Group:

	2016	2016	2015	2015
	Authorised	Contracted for	Authorised	Contracted
	£	£	£	£
Churchill Gardens	-	-	2,000,000	380,634
Trenchard House	45,556	45,556	2,548,000	2,548,000
Kings Cross	-	-	2,457,737	2,457,737
Cleland House	4,625,106	4,625,106	7,918,870	7,918,870
Newington Butts	4,023,908	4,023,908	15,277,000	15,277,000
Lanhill	2,333,324	2,333,324	-	-
Met Police Portfolio	17,640,000	-	-	-
Dibdin Portfolio	225,297	225,297	-	-

Further developments have been agreed in principle by the Governors, up to a total of £42.7 million, although the exact amounts are yet to be finalised.

F

APPENDIX F

ISSUER'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2015 AND THE YEAR ENDED 31 AUGUST 2016

INDEX TO THE ISSUER'S FINANCIAL STATEMENTS

1. Period ended 31 August 2015
2. Year ended 31 August 2016

ISSUER'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2015



Retail Charity Bonds plc
Financial Statements
for the period ended 31 August 2015

Registered number: 8940313

Retail Charity Bonds plc

**Contents of the Financial Statements
for the period ended 31 August 2015**

Contents

	Page
Reference and Administrative Details	3
Strategic Report	4
Directors' Report	7
Report of the Independent Auditor	9
Profit and Loss Account	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Financial Statements	14

Retail Charity Bonds plc
Reference and Administrative Details
for the period ended 31 August 2015

DIRECTORS:	John Tattersall (Chairman) Gordon D'Silva Arvinda Gohil Tom Hackett (Chairman, Review Committee) Tim Jones Geetha Rabindrakumar 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 period ended 31 August 2015**

Summary and highlights

Results

The Directors present their Annual Report and audited financial statements for the period from incorporation on 14 March 2014 to 31 August 2015.

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.

Key performance indicators

The Company has no specific key performance indicators. It is monitored against the original performance model and it is thus expected to break even.

Chairman's statement

The Directors of Retail Charity Bonds plc are pleased to have approved the issue of two bonds in this first period, for Golden Lane Housing and for Hightown Housing Association. Each member of the Board gives 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.

Performance this period has been in line with expectations and we look forward to working with further charities in the coming year.

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 and lending the proceeds to UK charities to enable them to deliver their charitable mission. It will not engage in any other business activity.

The board has established two board 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 Bond Services Limited ("Allia BSL").

On 29 July 2014 the Company issued £11,000,000 4.375% bonds due 2021 secured on a loan to Golden Lane Housing Limited ("GLH") (a wholly owned subsidiary of the Royal Mencap Society). The cost of issuing the bond was £129,000 leaving a net balance of £10,871,000, which was advanced to GLH through a security trust arrangement with Prudential Trustee Company Limited.

**Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015**

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 4.5753%. GLH is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

On 30 April 2015, the Company issued £27,000,000 4.40% bonds due 2025 secured on a loan to Hightown Housing Association Limited ("Hightown"). The cost of issuing the bond was £227,000 leaving a net balance of £26,773,000, which was advanced to Hightown through a security trust arrangement with Prudential Trustee Company Limited.

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 4.5061%. Hightown is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

The Company has appointed Allia BSL as Origination Manager to identify further suitable charity borrowers who would benefit from being able to access finance through a retail bond.

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 2015 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 BSL 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 BSL, this risk is judged to be low.

**Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015**

Directors' insurance

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

Future outlook

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

The Company may issue further bonds in the next twelve months. '

Corporate governance statement

Internal control

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively.

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
23 November 2015

Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015

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 period and to the date of the financial statements are:

John Tattersall (Chairman – appointed 14 March 2104)
Gordon D'Silva (appointed 21 March 2014)
Arvinda Gohil (appointed 14 March 2014)
Thomas Hackett (appointed 14 March 2014)
Timothy Jones (appointed 14 March 2014)
Geetha Rabindrakumar (appointed 29 May 2014)
Clare Thompson (appointed 14 March 2014)
Philip Wright (appointed 14 March 2014)

Independent auditor

RSM UK Audit LLP was appointed in the period and 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.

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.

In addition, 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.

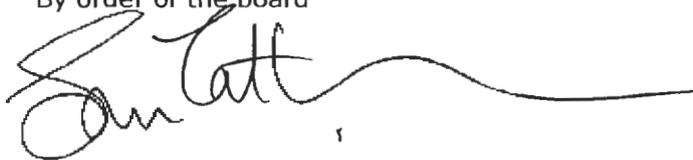
**Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015**

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

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', followed by a long, horizontal wavy line extending to the right.

John Tattersall
Chairman
23 November 2015

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

We have audited the financial statements on pages 11 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its profit for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

23 November 2015

Retail Charity Bonds plc
Profit and Loss Account
for the period ended 31 August 2015

	Notes	Period ended 31 August 2015 £'000
Turnover		32
Interest receivable and similar income	3	941
Interest payable and similar charges	5	(941)
Other income		59
Administrative expenditure		(89)
		<hr/>
Profit before taxation		2
Tax	6	-
PROFIT FOR THE PERIOD	12	<hr/> <u>2</u>

The period from incorporation on 14 March 2014 was the first period of trading for the company.

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

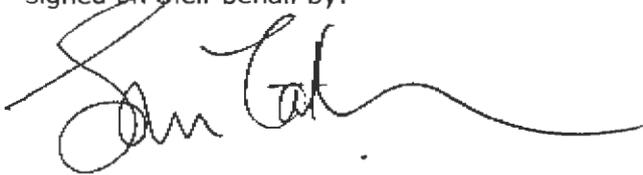
The notes on pages 14 to 20 form part of these financial statements.

(Registered number: 8940313)

Retail Charity Bonds plc
Balance sheet
as at 31 August 2015

	Notes	As at 31 August 2015 £'000
Current assets		
Debtors: amounts due after more than one year	7	37,667
Debtors: amounts due after less than one year	8	513
Cash at bank and in hand		2
		38,182
Creditors		
Amounts falling due within one year	9	(463)
		37,719
Net current assets		
Creditors		
Amounts falling due after one year	10	(37,667)
		52
Net assets		
Capital and reserves		
Share capital	11	50
Profit and loss account	12	2
Shareholder's funds	13	52

The financial statements were approved by the Directors on 23 November 2015 and were signed on their behalf by:



.....
 JOHN TATTERSALL - CHAIRMAN

The notes on pages 14 to 20 form part of these financial statements.

Retail Charity Bonds plc
Cash Flow Statement
for the period ended 31 August 2015

	Notes	Period ended 31 August 2015 £'000
Reconciliation of profit to net cash inflow		
Profit before tax		2
Receipt of bond proceeds		37,643
Loans advanced		(37,643)
Interest received		481
Interest paid		(481)
Increase in debtors		(27)
Increase in creditors		27
Net cash inflow from operations		<u>2</u>
 CASHFLOW FOR THE PERIOD		
Increase in cash		2
Cash brought forward		-
Net cash resources at period end		<u>2</u>
 Reconciliation of net cashflow to movement in net debt		
Increase in cash		2
Receipt of bond proceeds	(37,643)	
Bond interest paid	481	
	<u> </u>	(37,162)
Change resulting from cashflow		(37,160)
Other movements		
Interest payable	(941)	
Accrued interest	436	
	<u> </u>	(505)
Movement in net debt for the period		(37,665)
Opening net debt		-
Closing net debt	14	<u>(37,665)</u>

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Financial Reporting Standards in the United Kingdom (UK GAAP).

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 the historical cost convention.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement.

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.

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.

Going concern

At the date 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 the current arrangements and consequently the financial statements are presented on a going concern basis.

Turnover

The turnover shown in the profit and loss account represents revenue recognised by the Company in respect of services supplied during the period, exclusive of Value Added Tax.

Other income

Other income represents payments from Allia BSL under the Services Agreement with that company and is determined and credited on an accounting period basis.

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

2. STAFF COSTS

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

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 August 2015 £'000
Interest receivable on loans	941

4. PROFIT AND LOSS ACCOUNT

The profit for the period is stated after charging:

	Period ended 31 August 2015 £'000
Fees payable to RSM UK Audit LLP and its associates:	
Audit remuneration	24
Review of the interim statements	21

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 August 2015 £'000
Interest payable to bond holders	941

6. TAX ON PROFIT OR ORDINARY ACTIVITIES

	Period ended 31 August 2015 £'000
Analysis of tax charge in the period	
Current tax on income for the period	-
Deferred tax	-
Tax on profit on ordinary activities	-

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

6. TAX ON PROFIT OR ORDINARY ACTIVITIES
(continued ...)

The tax assessed for the period is equal to the standard rate of corporation tax in the UK at 20%.

	Period ended 31 August 2015 £'000
Profit for the period before taxation	2
UK corporation tax at 20%	-
Current tax charge for the year	-

7. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	At 31 August 2015 £'000
Loan to Golden Lane Housing	10,888
Loan to Hightown Housing Association Limited	26,779
	<u>37,667</u>

The loans to Golden Lane Housing and Hightown Housing Association Limited are secured (see note 10 for further details).

8. DEBTORS

	At 31 August 2015 £'000
Other debtors	27
Amounts owing from related companies	50
Accrued interest on Golden Lane Housing loan	40
Accrued interest on Hightown Housing Association Limited loan	396
	<u>513</u>

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 August 2015 £'000
Trade creditors	3
Interest on bond to fund Golden Lane Housing loan	40
Interest on bond to fund Hightown Housing Association Limited loan	396
Accruals	24
	463

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

	At 31 August 2015 £'000
Bond to fund Golden Lane Housing loan	10,888
Bond to fund Hightown Housing Association Limited loan	26,779
	37,667

On 29 July 2014 the Company issued an £11 million bond at a coupon of 4.375% with repayment due in full on 29 July 2021. The funds received after bond issue costs were £10,871,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.575%.

The costs of issuing the bond were £129,000 leaving a net balance of £10,871,000 which was lent to Golden Lane Housing Limited, an independent charity established in 1998 by the Royal Mencap Society.

On 30 April 2015 the Company issued an £27 million bond at a coupon of 4.40% with repayment due in full on 30 April 2025. The funds received after bond issue costs were £26,773,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.506%.

The costs of issuing the bond were £227,000 leaving a net balance of £26,773,000 which was lent to Hightown Housing Association Limited.

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.

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

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

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.

The borrowings are due as follows:

	At 31 August 2015 £'000
Due in more than five years	37,667
	37,667

11. SHARE CAPITAL

	At 31 August 2015 £'000
Authorised issued shares of £1 each	50
Allotted, called up, but not paid	13

On 14 March 2014 50,000 shares were issued at par.

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.

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

12. PROFIT AND LOSS ACCOUNT

	Period ended 31 August 2015 £'000
Profit for the period	2
Carried forward	2
	2

13. MOVEMENT IN SHAREHOLDER'S FUNDS

	Period ended 31 August 2015 £'000
Shares issued during the period	50
Profit for the period	2
Closing shareholder's funds	52
	52

14. ANALYSIS OF NET DEBT

	At 14 March 2014 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 August 2015 £'000
Net cash	-	2	-	2
Debts falling due after more than one year	-	(37,162)	(505)	(37,667)
Net debt	-	(37,160)	(505)	(37,665)

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

15. RELATED PARTIES

John Tattersall is a Director of the Company; he owns £7,600 of the bonds in relation to Golden Lane Housing Limited issued by the Company and £10,000 of the bonds in relation to Hightown Housing Association Limited issued by the Company.

Geetha Rabindrakumar is a Director of the Company; she owns £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 and Chief Executive of Allia Limited. During the period ended 31 August 2015 the Company charged Allia Bond Services Limited £59,000; Allia Bond Services Limited is a wholly owned subsidiary of Allia Limited. At 31 August 2015 the Company was owed £18,000 from Allia Bond Services Limited.

In addition, Allia Limited holds the £1 Special Share described in note 11.

The Company has taken advantage of the exemption available to wholly owned group companies under Financial Reporting Standard Number 8, "Related Party Disclosures", not to disclose details of its transactions with R C Bond Holdings Limited.

16. 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 Group Statements include the results of the Company.

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

ISSUER'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016



Retail Charity Bonds plc
Financial Statements
for the year ended 31 August 2016

Registered number: 8940313

Retail Charity Bonds plc

**Contents of the Financial Statements
for the year ended 31 August 2016**

Contents

	Page
Reference and Administrative Details	3
Strategic Report	4
Directors' Report	7
Report of the Independent Auditor	9
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15

Retail Charity Bonds plc
Reference and Administrative Details
for the year ended 31 August 2016

DIRECTORS: John Tattersall (Chairman)
Gordon D'Silva
Thomas Hackett (Chairman, Review Committee)
Timothy Jones
Geetha Rabindrakumar
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 2016

Summary and highlights

Results

The Directors present their Annual Report and audited financial statements for the year to 31 August 2016.

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.

Key performance indicators

The Company has no specific key performance indicators. It is monitored against the original performance model and it is thus expected to break even.

Chairman's statement

The Directors of Retail Charity Bonds plc are pleased to have approved the issue of a further bond in this year to the Charities Aid 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.

Performance this year has been in line with expectations and we look forward to working with further charities in the coming year.

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 and lending the proceeds to UK charities to enable them to deliver their charitable mission. It will not engage in any other business activity.

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").

On 12 April 2016 the Company issued £30,000,000 5.000% bonds due 2021, including £10,000,000 of retained bonds, secured on a loan to Charities Aid Foundation ("CAF"). The cost of issuing the bond was £276,000 leaving a net balance of £19,724,000, which was advanced to CAF through a security trust arrangement with Prudential Trustee Company Limited.

Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2016

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 5.18%. CAF is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

The Company has appointed Allia IFL as origination manager to identify further suitable charity borrowers who would benefit from being able to access finance through a retail bond.

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 2016 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.

**Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2016**

Corporate governance statement

Internal control

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively.

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
1 December 2016

**Retail Charity Bonds plc
Directors' Report
for the year ended 31 August 2016**

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
Arvinda Gohil (resigned 8th June 2016)
Thomas Hackett
Timothy Jones
Geetha Rabindrakumar
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.

In addition, 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

**Retail Charity Bonds plc
Directors' Report
for the year ended 31 August 2016**

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.

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
1 December 2016

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

We have audited the financial statements on pages 11 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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



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

1 December 2016

Retail Charity Bonds plc
Statement of Comprehensive Income
for the year ended 31 August 2016

		Year ended 31 August 2016	Period ended 31 August 2015
	Notes	£'000	£'000
Turnover	2	37	32
Interest receivable and similar income	4	2,045	941
Interest payable and similar charges	6	(2,045)	(941)
Other income		22	59
Administrative expenditure		(59)	(89)
		<hr/>	<hr/>
Profit before taxation		-	2
Tax	7	-	-
		<hr/>	<hr/>
Profit and total comprehensive income for the year		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 15 to 23 form part of these financial statements.

(Registered number: 8940313)
Retail Charity Bonds plc
Statement of Financial Position
as at 31 August 2016

	Notes	As at 31 August 2016 £'000	As at 31 August 2015 £'000
Current assets			
Debtors: amounts due after more than one year	8	57,435	37,667
Debtors: amounts due after less than one year	9	832	513
Cash at bank and in hand		111	2
		58,378	38,182
Creditors			
Amounts falling due within one year	10	(891)	(463)
		57,487	37,719
Net current assets			
Creditors			
Amounts falling due after one year	11	(57,435)	(37,667)
		52	52
Net assets			
Capital and reserves			
Share capital	12	50	50
Profit and loss account		2	2
		52	52
Shareholder's funds			

The financial statements were approved by the Directors on 1 December 2016 and were signed on their behalf by:



.....
JOHN TATTERSALL - CHAIRMAN

The notes on pages 15 to 23 form part of these financial statements.

(Registered number: 8940313)
Retail Charity Bonds plc
Statement of Changes in Equity
For the year ended 31 August 2016

	Share capital	Profit and loss account	TOTAL
	£'000	£'000	£'000
Balance at 14 March 2014	-	-	-
Issue of shares	50	-	50
Profit for the period	-	2	2
Balance at 31 August 2015	50	2	52
Profit for the year	-	-	-
Balance at 31 August 2016	50	2	52

The notes on pages 15 to 23 form part of these financial statements.

Retail Charity Bonds plc
Statement of Cash Flows
for the year ended 31 August 2016

	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Reconciliation of profit to net cash inflow		
Profit after tax	-	2
Receipt of bond proceeds	19,724	37,643
Loans advanced	(19,724)	(37,643)
Interest received	1,669	481
Interest paid	(1,669)	(481)
Increase in debtors	(13)	(27)
Increase in creditors	122	27
Net cash inflow from operations	109	2
 CASHFLOW FOR THE PERIOD		
Increase in cash	109	2
Cash brought forward	2	-
Net cash resources at period end	111	2

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

1. GENERAL INFORMATION

Retail Charity Bonds plc ("the Company") is a 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

The Company was incorporated on 14 March 2014 and the comparative figures shown in these accounts relate to the period from that date until 31 August 2015.

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.

First time adoption of FRS 102

These financial statements are the first financial statements of Retail Charity Bonds plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Retail Charity Bonds plc for the year ended 31 August 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102.

No adjustments to opening reserves were made for transition to FRS102 and the comparatives have not been restated.

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 trade and other receivables, accrued revenue and cash and bank balances, are initially measured at transaction price including

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

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 payables 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.

Going concern

At the date 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 Finances Limited under its services agreement with the Company. Without this support the Company might not be able 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 bond issues and is recognised by the Company in respect of services supplied for bonds issued during the period, exclusive of Value Added Tax.

Other income

Other income represents payments from Allia Impact Finance Limited ("Allia IFL") under the Services Agreement with that company and is determined and credited on an accounting period basis.

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.

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

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. However, 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.

Critical area of judgement

The main 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.

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

2. TURNOVER

Turnover was all derived from trading in the UK.

	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Fees for the arrangement of bond issues	37	32

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 2016 £'000	Period ended 31 August 2015 £'000
Interest receivable on loans	2,045	941

5. PROFIT AND LOSS ACCOUNT

The profit for the year/period is stated after charging:

	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Fees payable to RSM UK Audit LLP and its associates:		
Audit remuneration	18	24
Review of interim statements	-	21
Tax compliance	-	3

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Interest payable to bond holders	2,045	941

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in the period	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Current tax	-	-
Deferred tax	-	-
Tax on profit on ordinary activities	-	-

The tax assessed for the period is equal to the standard rate of corporation tax in the UK at 20%.

	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Profit for the period before taxation	-	2
UK corporation tax at 20%	-	-
Current tax charge for the year	-	-

8. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	At 31 August 2016 £'000	At 31 August 2015 £'000
Loan to Golden Lane Housing	10,905	10,888
Loan to Hightown Housing Association Limited	26,798	26,779
Loan to Charities Aid Foundation	19,732	-
	<u>57,435</u>	<u>37,667</u>

The loans to Golden Lane Housing and Hightown Housing Association Limited and Charities Aid Foundation are unsecured (see note 11 for further details).

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

9. DEBTORS: AMOUNTS DUE AFTER LESS THAN ONE YEAR

	At 31 August 2016 £'000	At 31 August 2015 £'000
Other debtors	13	27
Amounts owing from related companies	50	50
Accrued interest on Golden Lane Housing loan	40	40
Accrued interest on Hightown Housing Association Limited loan	396	396
Accrued interest on Charities Aid Foundation loan	333	-
	<u>832</u>	<u>513</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 August 2016 £'000	At 31 August 2015 £'000
Trade creditors	83	3
Other creditors	3	-
Deferred income	11	-
Interest on bond to fund Golden Lane Housing loan	40	40
Interest on bond to fund Hightown Housing Association Limited loan	396	396
Interest on bond to fund Charities Aid Foundation loan	333	-
Accruals	25	24
	<u>891</u>	<u>463</u>

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

	At 31 August 2016 £'000	At 31 August 2015 £'000
Bond to fund Golden Lane Housing loan	10,905	10,888
Bond to fund Hightown Housing Association Limited loan	26,798	26,779
Bond to fund Charities Aid Foundation loan	19,732	-
	<u>57,435</u>	<u>37,667</u>

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

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

On 12 April 2016 the Company issued £30,000,000 5.000% bonds due 2021, including £10,000,000 of retained bonds, secured on a loan to Charities Aid Foundation ("CAF"). The funds received after bond issue costs and retained funds were £19,724,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 5.18%.

The costs of issuing the bond were £276,000 leaving a net balance of £19,724,000 which was lent to Charities Aid Foundation.

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.

Bond amounts and repayment details are as follows:

<i>Bond to fund loan to:</i>	Issue date	Maturity date	Issue amount £'000	Interest rate	Net funds received £'000	Equivalent interest rate
Golden Lane Housing	29/7/14	29/7/21	11,000	4.375%	10,871	4.575%
Hightown Praetorian & Churches 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%

The borrowings are due as follows:

	At 31 August 2016 £'000	At 31 August 2015 £'000
Due in less than five years	10,905	-
Due in more than five years	46,530	37,667
	<u>57,435</u>	<u>37,667</u>

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

12. SHARE CAPITAL

	At 31 August 2016 £'000	At 31 August 2015 £'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 (2015: £7,600) of the bonds in relation to Golden Lane Housing Limited issued by the Company and £10,000 (2015: £10,000) of the bonds in relation to Hightown Housing Association Limited issued by the Company.

Geetha Rabindrakumar is a Director of the Company; she owns £500 (2015: £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 and Chief Executive of Allia Limited. During the period ended 31 August 2016 the Company charged Allia Impact Finance Limited £23,000 (2015: £59,000); Allia Impact Finance Limited is a wholly owned subsidiary of Allia Limited. At 31 August 2016 the Company owed £73,000 to Allia Impact Finance Limited (2015: £18,000 from Allia Impact Finance Limited).

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 (2015: £nil).

Retail Charity Bonds plc
Notes to the Financial Statements
for the year ended 31 August 2016

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. FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments were as follows:

	At 31 August 2016 £'000	At 31 August 2015 £'000
<i>Financial assets:</i>		
Debtors and prepayments	13	27
Accrued interest	769	436
Loans made, measured at amortised cost	57,435	37,667
	<u>58,217</u>	<u>38,130</u>
<i>Financial liabilities:</i>		
Trade creditors	(83)	(3)
Accruals	(25)	(24)
Accrued interest	(769)	(436)
Bonds issued, measured at amortised cost	(57,435)	(37,667)
	<u>(58,312)</u>	<u>(38,130)</u>

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

<i>Financial assets</i>		
Debtors and prepayments	-	-
Accrued interest	-	-
Loans made, measured at amortised cost	2,045	941
	<u>2,045</u>	<u>941</u>
<i>Financial liabilities</i>		
Trade creditors	-	-
Accruals	-	-
Accrued interest	-	-
Bonds issued, measured at amortised cost	(2,045)	(941)
	<u>(2,045)</u>	<u>(941)</u>

ISSUER

Retail Charity Bonds PLC
27/28 Eastcastle Street
London W1W 8DH

CHARITY

The Dolphin Square Charitable Foundation
4th Floor, 11 Belgrave Road
London SW1V 1RB

TRUSTEE

Prudential Trustee Company Limited
Laurence Pountney Hill
London EC4R 0HH

ISSUING AND PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

REGISTRAR

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

SERVICER

Allia Impact Finance Ltd.
Future Business Centre
Kings' Hedges Road
Cambridge CB4 2HY

CUSTODIAN

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

LEGAL ADVISERS

To the Issuer as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Charity as to English law

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London EC4N 6AF

To the Managers and Trustee as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD

AUDITORS

To the Issuer

RSM UK Audit LLP
25 Farringdon Street
London EC4A 4AB

To the Charity

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

MANAGER

Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET