PROSPECTUS DATED 23 MAY 2018

Belong Limited

4.5 per cent. Bonds due 20 June 2026 (including Retained Bonds)

Issued by Retail Charity Bonds PLC

secured on a loan to Belong Limited

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 4.5 per cent. Bonds due 20 June 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 Belong Limited (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 20 June 2018 (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*"), 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 Financial Statements For The Years Ended 31 March 2015, 31 March 2016 And 31 March 2017*"). 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 Belong Limited, the borrower under the Loan Agreement. See Sections 3 ("*Description of the Charity*") and 7 ("*Description of Retail Charity Bonds PLC"*).

MiFID II product governance / Retail investors, professional investors and ECPs

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds are appropriate including investment advice, portfolio management, non-advised sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

Key Information Document

A key information document ("**KID**") pursuant to Regulation (EU) No 1286/2014 has been prepared by the Issuer in connection with the Bonds. If you have not received a copy of the KID you should request this from your stockbroker or other financial intermediary prior to making any investment decision in relation to the Bonds.

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 13 June 2018) 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.

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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**	This summary must be read as an introduction to this document (the "**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.
A.2	**Consent, Offer Period, Conditions to Consent and Notice**	*Consent*: 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, Equiniti Financial Services Limited, iDealing Limited and 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/belong) 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 2014/65/EU (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): *"We, [insert legal name of financial intermediary], refer to the 4.5 per cent. Bonds due 20 June 2026 (the "**Bonds**") described in the Prospectus dated 23 May 2018 (the "**Prospectus**") published by Retail Charity Bonds PLC (the "**Issuer**"). In consideration of the Issuer and Belong Limited (the "**Charity**") offering to grant their consent to our use of the Prospectus in connection with the*

Element	Title	
		offer of the Bonds in the United Kingdom during the period from 23 May 2018 to 12.00 noon (London time) on 13 June 2018 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." *Offer Period:* The Issuer's and, as applicable, the Charity's consent referred to above is given for Public Offers of Bonds during the period from 23 May 2018 to 12.00 noon (London time) on 13 June 2018 (the "**Offer Period**"). *Conditions to consent:* 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. **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.**

Section B – The Issuer and the Charity

Element	Title	
B.1	**The legal and commercial name of the issuer.**	*Issuer* Retail Charity Bonds PLC (the "**Issuer**") *Charity* Belong Limited (the "**Charity**") (formerly known as CLS Care Services Limited)

Element	Title	
B.2	**The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.**	*Issuer* The Issuer is a public limited company incorporated in England and Wales under the Companies Act 2006. *Charity* The Charity is a registered society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales on 17 April 1991 with registered number and suffix 27346R.
B.5	**If the issuer is part of a group, a description of the group and the issuer's position within the group.**	*Charity* The Charity is the holding society of the following subsidiaries: Borough Care Services Limited, which provides staff to the Charity; Belong (Construction) Limited, a registered company which designs and builds care facilities; and three wholly controlled subsidiaries, Belong Villages Limited, Belong at Home Limited and CLS (Wigan) Limited, all of which were dormant as of 31 March 2017. On 3 February 2017, the Financial Conduct Authority approved and registered the change of name of the society from CLS Care Services Limited to Belong Limited. Of the non-dormant subsidiaries, Belong (Construction) Limited was established in 2006 and is a limited company, with registration number 5968656. Borough Care Services was formed in 1992 and became a subsidiary of CLS Care Services Limited in 1996. It is a registered charity, with charity number 1007002 and a company limited by guarantee, with company number 2603702. The Charity and its subsidiaries are together referred to as the "**Group**".
B.9	**Profit forecast or estimate**	*Charity* Not applicable. No profit forecasts or estimates have been made in respect of the Charity in the Prospectus.
B.10	**Audit report qualifications**	*Charity* 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**	
	Charity 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 financial statements of the Charity for the years ending 31 March 2015, 31 March 2016 and 31 March 2017. There has been no significant change in the financial or trading position of the Charity since 31 March 2017 and there has been no material adverse change in the prospects of the Charity since 31 March 2017.	

Element	Title			
	Income and expenditure	**Year 31 Mar 2015* Audited £'000**	**Year 31 Mar 2016 Audited £'000**	**Year 31 Mar 2017 Audited £'000**
	Income			
	Donations	37	15	5
	Charitable activities	33,463	32,938	30,635
	Other trading activities	22	66	43
	Investment income	19	11	16
	Other income (profit on disposal of Fixed Assets)	5,638	3	11,385
	Total income	39,179	33,033	42,084
	Expenditure			
	Raising funds	(6)	(8)	(1)
	Charitable activities	(31,604)	(30,006)	(27,062)
	Gains/(losses) on changes in fair value of financial instruments	(243)	(89)	74
	Total expenditure	(31,853)	(30,103)	(26,989)
	Net income	7,326	2,930	15,095
	Other recognised gains / (losses)			
	Actuarial gains / (losses) on defined benefit pension schemes	(356)	1,536	(2,890)
	Net movement in funds	6,970	4,466	12,205
	Reconciliation of funds			
	Total funds brought forward	2,909	9,879	14,345
	Total funds carried forward	9,879	14,345	26,550
	Balance Sheet	**Year 31 Mar 2015* Audited £'000**	**Year 31 Mar 2016 Audited £'000**	**Year 31 Mar 2017 Audited £'000**
	Fixed assets			
	Tangible assets	56,087	59,746	56,539
	Current assets	8,210	9,107	11,744
	Stocks	56	60	32
	Debtors	2,920	3,656	2,849
	Cash at bank and in hand	5,234	5,391	8,863
	Creditors: amounts falling due within one year	(11,728)	(12,725)	(11,029)
	Net Current Assets/(Liabilities)	(3,518)	(3,618)	715
	Total Assets Less Current Liabilities	52,569	56,128	57,254
	Creditors: amounts falling due after more than one year	(32,116)	(33,085)	(19,578)
	Net assets excluding pension liabilities	20,453	23,043	37,676

Element	Title	

Defined benefit pension scheme liabilities	(10,574)	(8,698)	(11,126)
Net assets including pension liabilities	9,879	14,345	26,550
Financed by:			
Unrestricted reserves	9,686	14,097	25,797
Restricted reserves	193	248	753
	9,879	14,345	26,550

* - As restated to FRS102 including the Charities Statement of Recommended Practice applicable to charities preparing accounts in accordance with FRS102.

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**	*Charity* The Charity is not dependent on any other entity in the Group. It is noted that the construction of the Belong villages is controlled by Belong (Construction) Limited.
B.15	**Principal Activities**	*Charity* The Charity has set up care villages (the "**Belong villages**"), which provide a range of support and housing options for older people, as well as extensive amenities in the village centre. They also offer outreach services for people living in their own homes in the wider community. The Charity operates seven Belong villages in the North West of England, with the seventh having been opened in Newcastle-under-Lyme on 9 April 2018. Two more sites have been acquired, with planning permissions secured, and development is expected to start on these in 2018. The Belong villages provide dementia and nursing care, as well as Apartments for independent living, within a community village setting. They provide a full spectrum of care, from respite care to end of life care, enabling the Charity to support older people as their needs change.
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.**	*Issuer* 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**"). 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

Element	Title	
		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. 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. *Charity* Not applicable. The Charity is the parent company of the Group.
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.**	*Issuer* Not applicable. Neither the Issuer nor the Bonds are, nor will they be, rated.
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.**	*Issuer* The Issuer is an entity which has been established for the purpose of issuing asset-backed securities.
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.**	*Issuer* 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 Belong Limited) to be applied in the achievement of the relevant charity's objects. The Issuer is not itself a charity. 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**"). There are no relationships of direct or indirect control between the parties listed above.

Element	Title	
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.**	*Issuer* Not applicable.
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 years ended 31 August 2016 and 31 August 2017.

Profit and Loss Account

	Year ended 31 August 2016 £'000	**Year ended 31 August 2017 £'000**
Turnover	37	81
Interest receivable and similar income	2,045	3,545
Interest payable and similar charges	(2,045)	(3,545)
Other income	22	-
Administrative expenditure	(59)	(76)
Profit before taxation	-	5
Tax	-	(1)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**4**

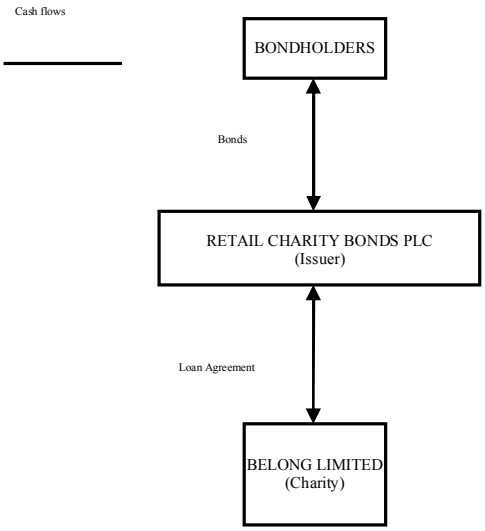
Balance Sheet

	As at 31 August 2016 £'000	**As at 31 August 2017 £'000**
Current assets		
Debtors: amounts due after more than one year	57,435	114,991
Debtors: amounts due after less than one year	832	1,636
Cash at bank and in hand	111	80
	58,378	116,707
Creditors		
Amounts falling due within one year	(891)	(1,660)
Net current assets	57,487	115,047
Creditors		
Amount falling due after one year	(57,435)	(114,991)
Net assets	52	56

Element	Title	
	Capital and reserves Share capital Profit and loss account **Shareholder's funds**	50 50 2 6 52 56
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.**	*Issuer* There has been no material adverse change in the financial position or prospects of the Issuer since 31 August 2017.
B.25	**A description of the underlying assets including:** • **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** • **Where a valuation report relating to real property is included in the prospectus, a description of the valuation.**	*Issuer* *Capacity to produce funds* 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 20 June 2018 (the "**Issue Date**"). The Loan Agreement shall be substantially in the form set out in Appendix D of this Prospectus. 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. 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**". Any difference between a Retained 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. 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. 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 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

Element	Title	
		Bonds. 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). The Loan Agreement contains certain covenants which the Charity has agreed to comply with from time to time such as, for example, (i) a requirement that, as at each relevant testing date, the sum of (A) the group's unencumbered properties (that is, those not subject to any security in favour of a third party), (B) tangible fixed assets (as set out in the Charity's latest financial statements) and (C) cash and investments that are deemed equivalent to cash (such as UK government bonds) is not less than 130 per cent. of the total unsecured debt of the group; and (ii) a requirement that the Charity will not (and will ensure that its subsidiaries do not) create any security to secure any financial indebtedness (a "**Secured Borrowing**") unless, immediately after incurring such Secured Borrowing, the Charity's total Secured Borrowings is no greater than the higher of (A) the outstanding balance (capped at £13,711,447) of the loan agreement between CLS Care Services Limited (now Belong Limited) and The Royal Bank of Scotland plc dated 29 July 2014, as amended from time to time (the "**RBS Loan**") and (B) 25 per cent. of the sum of the Charity's (1) fixed assets (excluding any of the Group's property that is subject to the terms of a lease or contract which would, in accordance with the accounting standards applicable to the Group at the relevant time, be treated as a finance or capital lease) and (2) cash and cash equivalent investments. *Brief description of the obligor (i.e. the Charity)* The Charity is the sole borrower under the Loan Agreement. The Charity is a registered society under the Co-operative and Community Benefit Societies Act 2014 registered in England and Wales on 17 April 1991 with registered number and suffix 27346R. *Legal nature of the assets* 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

Element	Title	
		(the "**Bondholders**")) may enforce the terms of the Loan Agreement 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. 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 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. *Loan to value ratio* 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. *Valuation report* Not applicable. There is no valuation report included in the Prospectus.
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.**	*Issuer* Not applicable. The Issuer's rights under the Loan Agreement will be the sole asset backing the issue of the Bonds. There will not be an actively managed pool of assets.
B.27	**Where an issuer proposes to issue further securities backed by the same assets a statement to that effect.**	*Issuer* 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.

Element	Title	
B.28	**A description of the structure of the transaction, including, if necessary, a structure diagram.**	 **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.** *Issuer* 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. 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 the Bondholders) may enforce the terms of the Loan Agreement against the Charity for the benefit of the Bondholders and for the benefit of certain other secured parties.
B.29	**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.**	*Issuer* 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.
B.30	**The name and a description of the originators of the**	*Issuer* The Loan Agreement will be entered into between the Issuer and the

Element	Title	
	securitised assets.	Charity. Payments of interest and principal due on the Bonds will be backed by payments due on the Loan Agreement. Bondholders have access to the payments due on the Loan Agreement through the security that will be 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. *Charity* The Charity is Belong Limited (formerly known as CLS Care Services Limited), a registered society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales on 17 April 1991 with registered number and suffix 27346R.

Section C – Securities

Element	Title	
C.1	**A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.**	The 4.5 per cent. Bonds due 20 June 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. The International Securities Identification Number ("**ISIN**") for the Bonds is XS1821505259 and the Common Code is 182150525.
C.2	**Currency of the securities issue.**	Pounds Sterling ("**£**").
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. There are no restrictions on the free transferability of the Bonds.
C.8	**A description of the rights attached to the securities including:** • **ranking** • **limitations to those rights**	*Ranking* The Bonds will constitute direct, limited recourse obligations of the Issuer, secured in the manner described under "*Security*" and "*Limited recourse*" below, and will rank *pari passu* (i.e. equally in right of payment) among themselves. *Security* The Trustee will take security over the Issuer's rights arising under the Loan Agreement. *Limited recourse* Bondholders will have no rights or recourse with respect to any loan agreements for any other series of bonds issued by the Issuer. *Enforcement* 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

Element	Title	
		(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. *Taxation* 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. *Events of default* 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 which is not remedied within 30 days of the occurrence thereof. *Meetings* 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. *Governing law* English law.
C.9	**A description of the rights attached to the securities including:** • **the nominal interest rate** • **the date from which interest becomes payable and the due dates for interest**	*Interest* The Bonds bear interest from their date of issue at the fixed rate of 4.5 per cent. per annum. The yield of the Bonds is 4.5 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 20 June and 20 December 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.

Element	Title	
	• **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**	*Redemption* 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 20 June 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 20 June 2028 (the "**Legal Maturity Date**"). 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. *Representative of holders* Prudential Trustee Company Limited will act as Trustee for the Bondholders and Allia Impact Finance Ltd. will act as Servicer for the Issuer.
C.10	**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 investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.**	Not applicable. The rate of interest payable on the Bonds is 4.5 per cent. per annum and does not contain a derivative component.
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.**	*Issuer:* • 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 creditworthiness of the Charity for the benefit of the Bondholders. *Charity:* • Any reduced or low occupancy levels in the Belong villages will result in a lower amount of residents' fees or rental payments received by the Charity. • There is no guarantee that the level of fee income of the Charity can be maintained. • There could be a failure by privately funded customers to pay fees or rental payments when due. • Multiple Apartment re-purchases under the Group's 'buy-back' scheme could expose the Charity to cash flow risk. • The Charity may face increased development costs in the future or find it difficult to obtain planning permission for planned developments. • The Charity has historically experienced high agency costs and may experience difficulties in the future with recruiting and retaining appropriately qualified staff. • The Charity is exposed to the volatility of pension deficits and the risk that a deficit payment may be triggered. • The Charity may not be able to rely on its current sources of loan and grant financing or on acceptable loan financing being available in the future. • The Charity may be exposed to claims for failure to comply with

Element	Title	
		applicable laws and compliance requirements.
D.3	**Key information on the key risks that are specific to the securities.**	• 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. • 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 results 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	Title	
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, to develop further Belong villages and to repay some or all of the RBS Loan.
E.3	**A description of the terms and conditions of the offer.**	The Offer is expected to open on 23 May 2018 and close at 12.00 noon (London time) on 13 June 2018 or such other time and date as may be agreed between the Issuer and the Manager and announced via a Regulatory Information Service. 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. 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. The issue of Bonds is conditional upon (i) a subscription agreement being signed by the Issuer and the Manager on or about 18 June 2018 (the "**Subscription Agreement**"), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 18 June 2018 (the "**Commitment Agreement**"); and (iii) the Loan Agreement being signed by the Issuer and the Charity on or about 20 June 2018. 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). The minimum subscription amount per investor is for a principal amount of £500 of the Bonds.
E.4	**A description of any interest that is material to the issue/offer including conflicting interests.**	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.
E.7	**Estimated expenses charged to the investor by the issuer or the offeror.**	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.

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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.

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. 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, including the risk factors set out under "*Factors that may affect the Charity's ability to fulfil its obligations under the Loan Agreement*" below.

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. 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/belong. 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

Reduced or low occupancy levels will result in a lower amount of residents' fees or rental payments received by the Charity

Occupancy levels are a key driver to the revenue of the Charity. The principal source of income of the Charity is the fees paid by its customers in return for the registered care services provided to Household customers. The Charity also receives income from the rent and service charges received on the lease of the Apartments.

Notwithstanding rises in life expectancy, there can be no assurance that current occupancy levels will remain constant. It is possible that the Charity could experience significant unforeseen periods where certain Household rooms or Apartments within a Belong care "village" ("**Belong village**") are not occupied at current occupancy levels, which would mean that the Charity would not receive any income for that period of time on such vacant rooms or Apartments. Group occupancy (occupied bed days as a proportion of available bed days) was maintained at 95% in the year ended 31 March 2017 with occupancy in the Belong village's Household rooms at 97.8%. A key objective for 2017/2018 was to maintain occupancy at the 2016/2017 levels.

Although the Charity employs several strategies to mitigate the reduction in profits due to reductions in occupancy, any reduction in the occupancy levels (for whatever reason) could result in a reduction of the profitability of the Charity until residents are found, which may impact the Charity's ability to repay its liabilities when due, including those under the Loan Agreement, and, in turn, the Issuer's ability to make payments in respect of the Bonds.

There is no guarantee that the level of fee income of the Charity can be maintained

The Charity generates surpluses for reinvestment back into the operations of the Charity and for the servicing of debt. Such surpluses are derived from fee income less operational, funding and other costs. The level of fees charged is therefore a key component in the operation of the Charity.

The Charity continually seeks improvement in the quality of care offered and invests in both existing and new facilities to maintain the environment necessary to continue to improve fee levels. As part of the Charity's

process management, customers are made aware that there will be an annual price increase and fees are benchmarked against the Charity's competitors on an annual basis.

Nevertheless, there can be no assurance that the current ratio of fees to expenses can be maintained.

The Charity may find it difficult to pass on future operating cost increases to residents, whether funded privately or publicly, particularly if operating cost increases are in excess of prevailing inflation rates.

Any reduction in the fees to expenses ratio may have an adverse impact on generation of surpluses for the Charity and therefore its ability to make payments under the Loan Agreement. This would, in turn, have an impact on the Issuer's ability to make payments in respect of the Bonds.

There could be a failure by privately funded customers to pay fees or rental payments when due

Most of the Charity's customers are personally responsible for their rental payments, registered care services fees, and other fees (as applicable). The Charity carries out a financial assessment on potential residents to ensure that they will be able to meet their fee payment obligations. The Charity's standard payment terms include a requirement for payments to be made by monthly direct debit in advance, and it has robust debt collection procedures, including the issuance of notices to residents if necessary. These systems contributed to minimal debt write-offs (in relation to private customers) of £16,335 for the year ended 31 March 2017 and £15,382 for the year ended 31 March 2016.

While the failure by any single customer to pay any such amounts in full and on a timely basis is unlikely to have a significant impact, unresolved failures by multiple customers could affect the ability of the Charity to meet its payment obligations on a timely basis under the Loan Agreement and, in turn, the Issuer's ability to make payments in respect of the Bonds.

Multiple Apartment re-purchases under the Charity's 'buy-back' scheme could expose the Charity to cash flow risk

The Belong 'buy-back' scheme guarantees that the Charity will repurchase each Apartment for the same price that was originally paid on purchase. Multiple Apartment re-purchases under the Charity's 'buy-back' scheme could expose the Charity to cash flow risk, as explained below. Furthermore, residents have the option to require the Charity to repurchase an Apartment early.

In the event that, within a short period of time, (i) a large number of residents require the Charity to repurchase their Apartments earlier than anticipated and/or (ii) several of the Apartments are required to be repurchased by the Charity following the death of the occupant, the Charity would be required to spend significant amounts to makes these repurchases. This could have an adverse effect on the Charity's cash flows at that time and could impact the Charity's ability to meet its payment 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.

The Charity may face increased development costs in the future or find it difficult to obtain planning permission for planned developments

The continued development of Belong villages reflects the Charity's strategy to create additional village communities over the next five years. The Charity plans to operate at least 10 villages by 2021. There can be no assurance that development costs will not rise in the future and there may be other unanticipated costs faced by the Charity in connection with such developments. Further, there may be delays with obtaining planning permission or difficulty with obtaining funding for increased development costs or costs incurred due to planning permission delays. Any of these factors could increase the Charity's costs and have an adverse impact on its ability to fulfill its future business plans, which in turn could impact the Charity's 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.

The Charity has historically experienced high agency costs and may experience difficulties in the future with recruiting and retaining appropriately qualified staff

In common with other charities operating in a similar sector, the Charity faces challenges in recruiting and retaining qualified staff, particularly nurses and night staff. The healthcare sector in the United Kingdom currently meets demand for staff, to a certain extent, by employing staff from outside the United Kingdom. However, there can be no assurance that current government policies will not change, or that it will remain possible to employ staff from outside the United Kingdom, particularly following the UK exit from the European Union.

Furthermore, the Charity continues to experience pressures due to the increase in the national living wage and increased wages from local competition for staff in the retail sector. There can be no assurance that, with increased competition and pay demands for suitably qualified staff, the Charity will succeed in recruiting and retaining staff.

The lack of suitable staff may also result in the use of more expensive agency staff, which could lead to inconsistent standards of care. The Belong villages' agency costs increased from £375,000 in the year ended 31 March 2016 to £616,000 in the year ended 31 March 2017. A key objective for the Charity remains to reduce expenditure on agency costs. The Charity also maintains a regular review of its budgets and forecasts, which includes contingencies for such fluctuations, and has historically been able to recover cost increases through increasing fee levels, recruitment campaigns and targeted wage increases. However, to the extent that these increased costs continue to rise and/or cannot be recovered through fee increases, the Charity's ability to make payments under the Loan Agreement and, in turn, the Issuer's ability to make payments under the Bonds may be adversely affected.

The Charity is exposed to the volatility of pension deficits and the risk that a deficit payment may be triggered

The Charity operates defined contribution and defined benefit pension schemes for employees.

The Charity has significant pension obligations in relation to two defined benefit local government pension schemes. Estimates of the amount and timing of any future funding requirements for the schemes are based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields, average life expectancies and relevant legal requirements. In the year ended 31 March 2017, the Group pension deficits, which result only from the defined benefit schemes (no deficits exist on the defined contribution schemes) increased to £11.1 million. The pension deficits, as valued on an on-going basis, are currently being repaid over a 15-20 year period and these repayments are included in the Group's annual budget and are covered from existing income.

Actual performance of scheme assets may be affected by volatility in debt and equity markets. The local government pension schemes are now closed to new members and with only four current employees across the two schemes, there is a risk that a pension deficit payment will be triggered. In the event that a significant funding deficit were to arise, the funding position would need to be discussed with the pension scheme trustees to agree appropriate actions, which may include a plan to fund any such deficit over a number of years. A requirement to make significant additional funding contributions could have an adverse impact on the Charity's ability to meet its payment obligations, including those under the Loan Agreement. This, in turn, would impact the Issuer's ability to make payments under the Bonds.

The Charity may not be able to rely on its current sources of loan financing or on acceptable loan financing being available in the future

The Charity has existing secured loan facilities from banks and it may wish to take out additional loan facilities in the future for the purpose of building new villages and meeting expenses. There is also a possibility that the Charity will need to incur new indebtedness in order to refinance the Loan. The Charity could find itself unable to access sources of funding at suitable interest rates if bank lines become unavailable to the Charity (for

example, if there were a change in lender attitude due to a change in the lender's policy, a change in prevailing economic conditions in the United Kingdom or if the Charity were not able to agree satisfactory future lending terms). The Charity may not be able to gain access to bank loans on terms as favourable as those it currently has, which could result in an increase in debt funding costs for the Charity and may affect the ability of the Charity to meet its obligations under the Loan Agreement which would, in turn, affect the Issuer's ability to make payments in respect of the Bonds.

The Charity has a number of secured creditors

The Charity has entered into two secured financing arrangements (the "**Secured Financings**"). The Loan Agreement will not be secured. Creditors in respect of secured borrowings of the Charity, including the Secured Financings ("**Secured Creditors**") have the benefit of security over certain of the assets of the Charity in priority to unsecured creditors of the Charity ("**Unsecured Creditors**"), including the Issuer in respect of the Loan Agreement. Accordingly on the insolvency or winding-up of the Charity the Issuer's rights under the Loan Agreement will rank behind the claims of any Secured Creditors which may mean that the Issuer is not repaid in full (or at all) if the assets of the Charity are insufficient to enable it to repay in full all of its Secured Creditors and all of its Unsecured Creditors. Since the Issuer's only material assets corresponding to the Bonds will be its rights under the Loan Agreement (see "*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*"), any loss sustained by the Issuer on the insolvency or winding-up of the Charity will, in turn, have an adverse impact on the Issuer's ability to make payments in respect of the Bonds.

The Charity faces risks in connection with grant funding it has received

The Charity receives grant funding from a diverse number of sources, including lottery grants and Skills for Care. One of these grants, the Heritage Lottery Enterprise Grant, contains conditions requiring that the grant is used for particular purposes, including to restore the listed building on the Maxims site in Newcastle-under-Lyme and to deliver a programme of activities about the heritage of the building. If the conditions attaching to the relevant grant are breached, the Charity may have to repay the grant (in whole or in part). The Charity currently has no intention to take any action that would trigger a repayment of a grant and, as part of its standard processes, ensures that grant conditions are complied with. However, if, in the future, the Charity were unable to comply with any such conditions, the relevant grant may become repayable. In the case of the Heritage Lottery Enterprise Grant, security has been granted by the Charity over the listed building on the Maxims site. Accordingly, if the Charity were unable to repay the Heritage Lottery Enterprise Grant in full, the listed building on the Maxims site may be sold to a third party to recover the shortfall without any need for the Charity's consent. Any requirement to repay a grant (in whole or in part) may affect the ability of the Charity to meet its obligations under the Loan Agreement which would, in turn, affect the Issuer's ability to make payments in respect of the Bonds.

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, it has the benefit of insurance, for, among other things, employer's liability, public liability, treatment risk and directors' and officers' indemnity at a level which the management of the Charity considers to be prudent for the type of business in which the Charity is engaged. The Charity also has a comprehensive whistleblowing policy in place. 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.

Claims and reputational risks

Given the nature of its business, the Charity may from time to time face legal action from occupants (or from their relatives) in relation to their care, and from staff for work-related incidents. Although such liability is subject to insurance cover, if the claims record worsens, insurance may become more expensive and this may have an adverse effect on the Charity's operations and revenue. In addition, if there were to be high profile claims, or allegations of mistreatment or abuse, the reputation of the Charity, and, therefore, its business, might suffer. This may affect 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.

Regulatory Issues

The Charity is regulated and inspected by the Care Quality Commission (the "**CQC**"). The Charity's registering authority is the Financial Conduct Authority (the "**FCA**").

Any adverse findings of a CQC inspection could result in adverse publicity and will also be drawn to the attention of the relevant part of the local authority responsible for that geographic area. This could result in a reduction in occupancy and might have a material adverse effect on the business, financial performance or prospects of the Charity. If the CQC findings are seriously adverse, the CQC can mandate a temporary halt to admissions of new residents to the registered beds in a Belong village and, in extreme circumstances, the CQC has the power to order the closure of the registered care home section of a Belong village, although this is rarely effected in practice due to the significant impact that a closure would have on the residents. Following this, Belong Atherton was inspected by the CQC on 14 March 2018 and 16 March 2018. The CQC draft inspection report for this visit has been received by the Charity, which indicates an overall rating of "Outstanding" for Belong Atherton. The final CQC report has not been published as at the date of this Prospectus.

During the past two years, six of the Group's thirteen Belong registered services were inspected by the CQC, three of which were rated "Good", whilst Belong at Home Crewe received the Charity's first "Outstanding" and Belong Crewe also received "Outstanding". Belong Atherton received a "Requires Improvement" rating but all of the actions resulting from this inspection have been fully implemented as at the date of this Prospectus.

The residential care sector is highly regulated. Accordingly, the Charity maintains a governance system suitable to meet current regulatory requirements and also monitors CQC publications, updates and the CQC website to ensure its governance system remains valid. The Charity also provides regular updates and training to its managers and staff, as well as regular Head Office visits to ensure compliance with the regulatory requirements. The Charity also implements a monthly Household audit by the general manager of each Belong village, and a Charity-wide annual internal audit program that produces an internal audit report to the Charity's Audit Committee.

However, no assurance can be given as to the impact of any possible changes in regulations after the date of this Prospectus. Changes in regulation could result in increased costs for the Charity. This, in turn, could adversely affect the ability of the Charity to make payments under the Loan Agreement and, in turn, the ability of the Issuer to make payments in respect of the Bonds.

In November 2017, the government outlined a consultation process involving independent experts, stakeholders, and beneficiaries to refine and update government policies on the provision of long-term care for older people. The resulting policies could have potentially significant effects on the Charity, whose status and services are highly subject to the regulations surrounding senior care. However, as the green paper is not expected to be published until the summer of 2018, after which a full consultation will commence, it is currently uncertain what the effect will be on the Charity.

Changes in Care Practice and Demographics

The method of care of residents changes from time to time as demographics and industry views on best practice change. Through involvement with appropriate networks and intelligence from government statistics and forecasts, the Charity ensures it is aware and up-to-date with emerging trends and, where necessary, seeks to adapt service provision to recognise the changes in demographics and demand. In particular, all Belong villages are relatively new (less than 11 years old), and the Charity has in place an ongoing maintenance, refurbishment and upgrading programme for its existing portfolio of care villages.

However, developments in care practice may nonetheless require the Charity to make changes currently not anticipated, which they may or may not be able to implement. Inability to maintain best practice may impact the Charity's operations (including the amount of residents' fees or rental payments received by the Charity) and, in turn, the Charity's ability to meet its obligations under the Loan Agreement, and further in turn, may affect the Issuer's ability to make payments on the Bonds.

Additionally, there can be no assurance that the Charity's current facilities and services will suit any future changes in demographics, life expectancy, expectations and trends as to care provision. There may be cost implications in upgrading the Charity's current facilities and services to align with any new expectations or requirements and there is no assurance that the Charity will be able to provide its services in line with any new developments or demands. Any failure to identify and adequately plan for these changes may result in a decrease of revenue, which would adversely affect the Charity's ability to make payments under the Loan Agreement and, 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 20 June 2028 (the "Legal Maturity Date")

The Loan Agreement will provide for repayment of the loan by the Charity on 20 June 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 20 June 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 20 June 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 terms and 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 Agreement 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 Agreement 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 requiring any such withholding or deduction, 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.

Withholding tax on the Bonds

Provided that the Bonds carry a right to interest and 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 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.

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.

Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (the "**PRIIPs Regulation**") came into force on 29 December 2014. On 23 December 2016, Regulation 2016/2340 (the "**Amending Regulation**") amending the PRIIPs Regulation was published in the Official Journal of the EU and came into force on the following day. The Amending Regulation amended the application date of the PRIIPs Regulation such that the provisions of the PRIIPs Regulation have applied directly in all EEA Member States since 1 January 2018. The PRIIPs Regulation introduced a new pre-contractual disclosure regime in relation to (1) "packaged retail investment products" or "PRIPs" and (2) "insurance-based investment products" (collectively, "**PRIIPs**"). The principal obligations introduced by the PRIIPs Regulation are: (i) an entity that falls within the definition of a "PRIIP manufacturer" will be required to produce a "key information document" (a "**KID**") and publish it on its website; (ii) any person advising on or selling a PRIIP to retail investors must provide the investors with the KID in good time before they are bound by any contract or offer relating to the PRIIP; (iii) a PRIIP manufacturer must regularly review and update the KID; and (iv) a PRIIP manufacturer must establish appropriate complaint and redress procedures for retail investors. The Issuer has prepared a key information document as required by the PRIIPs Regulation for the initial offer and sale of the Notes as of the date hereof. However, the Issuer gives no assurance pursuant to this Prospectus that the KID will be regularly reviewed or updated. Therefore, the KID may not be kept up-to-date. This may impact the development of a secondary market in the Bonds since, without an up-to-date KID, offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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 depositary 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

The Charity is Belong Limited (formerly known as CLS Care Services Limited), a registered society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales on 17 April 1991 with registered number and suffix 27346R.

The registered address of the Charity is Pepper House, Market Street, Nantwich, Cheshire, CW5 5DQ.

Background and overview

The Charity is the holding society of the following subsidiaries: Borough Care Services Limited, which provides staff to the Charity; Belong (Construction) Limited, a registered company which designs and builds care facilities, and three wholly controlled subsidiaries, Belong Villages Limited, Belong at Home Limited and CLS (Wigan) Limited, all of which were dormant as of 31 March 2017. On 3 February 2017, the Financial Conduct Authority approved and registered the change of name of the society from CLS Care Services Limited to Belong Limited. Of the non-dormant subsidiaries, Belong (Construction) Limited was established in 2006 and is a limited company, with registration number 5968656. Borough Care Services was formed in 1992 and became a subsidiary of CLS Care Services Limited in 1996. It is a registered charity, with charity number 1007002 and a company limited by guarantee, with company number 2603702.

The Charity was established in 1991 and its objects are to carry on any charitable purpose for the benefit of the community and, in particular, to provide accommodation, care, support and associated facilities, amenities and services for persons who by reason of age, illness, disability (including physical, mental and/or learning disability), poverty or social and economic circumstances are in need thereof.

In furtherance of its objectives, the Charity aims to provide high quality, person-centred care, accommodation and ancillary services to older people. The vision of the Charity is to create village communities enabling older people to live the lives they choose and, in particular, to enable people living with dementia to retain choice and independence over as many areas of their lives as possible. The Charity has won awards for its contribution to the care industry, including several awards at the British Care Awards.

According to Alzheimer's Society statistics, there are 850,000 people with dementia in the UK, with numbers set to rise to over 1 million by 2025 and 2 million by 2051. This is linked to increasing life expectancy as one in six people over the age of 80 have dementia. There is no cure for dementia and there is increasing demand for settings where people with dementia are able to live well and enjoy high quality support, empathy and opportunities.

The Charity established the "Belong village" model after years of research and development geared towards achieving the best outcomes for people with dementia. It was one of the early pioneers of the "Household living" model, where registered, 24-hour care, including nursing care, is provided. The Charity opened its first Belong village in Macclesfield in 2007.

Household living marks a departure from traditional, clinical and institutional care settings, instead promoting wellbeing through homely, smaller group living arrangements. The Charity has taken this a step further with small staff teams working amongst the residents they support.

Another innovative feature of the Belong village model is its approach to nursing care, which is based on a village nurse concept, meaning that there are no designated nursing or dementia 'wings' and the support moves to the customer rather than moving customers around as their needs change. All staff working for the Charity are trained in supporting people with dementia. This ranges from bistro staff to grounds staff and is not limited to support workers directly involved in caregiving.

The Charity has adopted a values-based approach to its recruitment and a culture of organisational development. The Charity is a Gold accredited Investor in People under the Investors in People Standard, placing significant emphasis on training and development. It operates a dementia training programme using a Cognisco IT platform to assess learning, identify suitable interventions and then assess whether people's skills are improving.

Beyond the Households, each Belong village has a centre with a range of facilities open to the public, providing opportunities for residents to venture beyond their Household and mix with the wider world, as they would in any village. The village centre is also well supported by residents of the village Apartments where people can live independently but enjoy the community available to them in a Belong village. This is a crucial part of the Belong village model in the context of the growing problem of loneliness and isolation facing people in older age. Research identified by Age UK has suggested that loneliness is as harmful to health as smoking 15 cigarettes a day.

The importance of providing social opportunities for older people to integrate with others is therefore fundamental to the Charity's vision of creating vibrant village communities where people can live the life they choose and where the village acts as a hub in the wider community. As a result, the Charity's activities have diversified over time as other needs and opportunities became apparent.

Principal activities of the Charity

The Belong villages are care villages providing a range of support and housing options for older people, as well as extensive amenities in the village centre. They also offer outreach services for people living in their own homes in the wider community.

The Charity operates seven Belong villages in the North West of England, with the seventh having been opened in Newcastle-under-Lyme on 9 April 2018, providing a home for over 530 residents in the North West of England. Two more sites have been acquired, with planning permissions secured, and development is expected to start on these in 2018.

The Belong villages provide dementia and nursing care, as well as Apartments for independent living, within a community village setting. They provide a full spectrum of care, from respite care to end of life care, enabling the Charity to support older people as their needs change.

Each Belong village offers:

(a) "Households" for residents who need 24-hour support (the "**Households**"): typically, Household residents are frail, older people aged 85 or older and around two thirds of Household customers have a diagnosis of dementia.

(b) Independent living Apartments (the "**Apartments**"): typically, Apartment residents are in their early 80s and move to a Belong village to be part of a more vibrant community at a time when they or their partner may need more support.

(c) Domiciliary care services and specialist day care for those needing care and support in their own home known as "**Belong at Home**": the Charity has a registered home care service to provide support in the wider community and this has often proved a feeder route for people experiencing support from the Charity prior to moving into a Belong village.

(d) Specialist day care, known as "**Experience Days**": this service is open to people living in the wider community, enabling them to enjoy a day taking advantage of Belong village facilities and activities in a supported and facilitated way, often in order to give carers a break.

(e) Exercise services: available both to residents and members of the public that have been referred to the Charity or are connected to the Charity in some way, each Belong village gym is equipped with state-

of-the-art equipment and technology and the Charity's fitness instructors are trained to develop specialist, personalised programmes which have been independently evaluated and found to improve mobility, balance, stamina and strength according to people's needs.

(f) Purpose-built buildings and grounds, for access to communal living.

(g) A programme of events and activities which are attended by people from the wider community as well as Belong village residents.

Taken together, the Charity's services offer a continuum of care and mean that it is able to support people as their needs change, offering a 'home for life'. For further detail on the activities of the Charity please see the section on "*Products and services*" below.

Principal Source of Income

The principal source of income of the Charity is the fees paid by its customers in return for the accommodation and registered care services provided to Household customers. These fees cover daily living support, including nursing or dementia care when applicable, accommodation in a Household suite, all food and drink, and activities. These fees are benchmarked annually and reviewed in line with services, investment and inflation.

The Charity also receives income from:

- the rent and service charges received on the lease of the Apartments;
- fees for the Belong at Home domiciliary care services;
- fees for the Experience Day (specialist day care) service; and
- income from catering, venue hire, gym and hairdressing services.

Products and services

The Charity has developed a number of ways to provide support for older people through the Belong villages including:

(a) **Living Options**

i. **Belong Households:** Every Belong village offers bespoke Households where registered care services are provided for customers who need 24-hour support, including specialist nursing and dementia care. Each village has six Households and each Household is grouped into an 'extended family' sized community for 10 to 13 residents, with modern bedrooms that lead directly onto an open-plan, shared communal space. There is a kitchen at the heart of each Household, where meals are prepared; this acts as the hub of the home, promoting better nutrition and hydration through participation in the meal time experience and enjoyment of the aromas of meals cooking. The Charity has extremely low rates of usage of oral nutritional supplements as a result and also minimal usage of anti-psychotic medication.

ii. **Belong Apartments:** The Belong villages also offer modern Apartments for independent living in the village community, with the option of support if the customer needs it. The Apartments benefit from a 24-hour emergency response service with the option of a daily checking service and/or a home care package. There is a range of one and two bedroom Apartments, available to rent or purchase. For those who do opt to purchase, the Belong 'buy-back' scheme guarantees that the Charity will repurchase each Apartment for the same price that was originally paid on purchase. If Apartment customers do require some daily living

support, a care package can be put in place through the Belong at Home domiciliary service or another provider.

(b) **Care Services**

i. **Nursing Care**: The Charity's village nurses work across the Households with the customers, their families and professionals to promote wellbeing, provide clinical care and offer supervision. The Charity has pioneered a new approach to nursing in the care setting, where the village nurse plays a key role, guiding the staff team and operating within the NHS 'Six Cs' framework of Courage, Competency, Commitment, Care Quality and Safety, Communication and Compassion.

ii. **Dementia Care**: The Charity draws on 20 years of experience in supporting people with dementia. The physical environment of Belong villages, in particular the open-plan Household design, aims to maximise independence and orientation, and reduce dependence on memory. The staff are trained to recognise and deal sensitively with the wishes of the person with dementia, ensuring that all residents can participate in their community, however complex their needs may become. The Charity also offers an Admiral Nurse service at no extra charge, which provides specialist dementia support and advice to residents who have been medically diagnosed with any form of dementia, as well as their family members and carers.

iii. **Belong at Home**: Belong at Home is a high quality home care service registered with the CQC. Under this service, the Charity provides personal care, support and companionship to customers whilst they continue to live in their own home and community. This can also include supporting residents who are living in the Charity's independent living Apartments, who form a significant part of the customer base. The Charity staff can assist with general domestic chores and help customers to attend appointments or go out for leisure. Their expertise in supporting people with dementia can also help to alleviate stress and promote customers' general well-being.

iv. **Experience Days:** Experience days are provided daily from 10am to 4pm across all Belong villages. This specialist day care service offers people from the wider community the opportunity to join in meaningful activities and be a part of the Belong community on a day basis. The service also serves to give usual carers a break. Activities include classic film screenings, poetry reading, exercise sessions, local history, crafts and flower arranging.

(c) **Belong Village Facilities and Amenities**

i. **Village Facilities:** The village centre is open to the public and offers a range of amenities including restaurants, a gym and a beauty salon, where all members of the community can meet, relax and access a programme of events and activities.

Use of proceeds

The Charity will use the proceeds of the issue of the Bonds to further its charitable objects, to develop further Belong villages and to repay some or all of the RBS Loan.

Financial summary

The report and audited consolidated financial statements for the years ended 31 March 2015, 31 March 2016 and 31 March 2017 are appended to this Prospectus and a summary of the Charity's historical income and expenditure account and balance sheet which has been extracted without material adjustment from such financial statements is set out below.

Income and expenditure

	Year 31 Mar 2015* Audited £'000	Year 31 Mar 2016 Audited £'000	Year 31 Mar 2017 Audited £'000
Income			
Donations	37	15	5
Charitable activities	33,463	32,938	30,635
Other trading activities	22	66	43
Investment income	19	11	16
Other income (profit on disposal of Fixed Assets)	5,638	3	11,385
Total income	39,179	33,033	42,084
Expenditure			
Raising funds	(6)	(8)	(1)
Charitable activities	(31,604)	(30,006)	(27,062)
Gains/(losses) on changes in fair value of financial instruments	(243)	(89)	74
Total expenditure	(31,853)	(30,103)	(26,989)
Net income	7,326	2,930	15,095
Other recognised gains / (losses)			
Actuarial gains / (losses) on defined benefit pension schemes	(356)	1,536	(2,890)
Net movement in funds	6,970	4,466	12,205
Reconciliation of funds			
Total funds brought forward	2,909	9,879	14,345
Total funds carried forward	9,879	14,345	26,550

Balance Sheet

	Year 31 Mar 2015* Audited £'000	Year 31 Mar 2016 Audited £'000	Year 31 Mar 2017 Audited £'000
Fixed assets			
Tangible assets	56,087	59,746	56,539
Current assets	8,210	9,107	11,744
Stocks	56	60	32
Debtors	2,920	3,656	2,849
Cash at bank and in hand	5,234	5,391	8,863
Creditors: amounts falling due within one year	(11,728)	(12,725)	(11,029)
Net Current Assets/(Liabilities)	(3,518)	(3,618)	715
Total Assets Less Current Liabilities	52,569	56,128	57,254
Creditors: amounts falling due after more than one year	(32,116)	(33,085)	(19,578)
Net assets excluding pension liabilities	20,453	23,043	37,676
Defined benefit pension scheme liabilities	(10,574)	(8,698)	(11,126)

Net assets including pension liabilities	9,879	14,345	26,550
Financed by:			
Unrestricted reserves	9,686	14,097	25,797
Restricted reserves	193	248	753
	9,879	14,345	26,550

* - As restated to FRS102 including the Charities Statement of Recommended Practice applicable to charities preparing accounts in accordance with FRS102

The financial statements in Appendix E ("*Charity's Financial Statements for the years ended 31 March 2015, 31 March 2016 and 31 March 2017*") have been prepared in accordance with UK GAAP and the Co-operative and Community Benefit Societies Act 2014. These financial statements comply with the requirements of the Charity's Rules 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**") (effective 1 January 2015). The Charity's 2015 Financial Statements were restated in 2016 in order to comply with FRS 102.

Property portfolio

Property	Year of opening	Freehold/Leasehold	Leasehold Term
Belong Macclesfield	2007	Leasehold	30 years
Belong Wigan	2009	Freehold	N/A
Belong Crewe	2010	Freehold	N/A
Belong Atherton	2011	Freehold	N/A
Belong Warrington	2015	Freehold	N/A
Belong Morris Feinmann, Didsbury	2017	Freehold	N/A
Belong Newcastle-under-Lyme	2018	Leasehold	Apartments and Heritage Gallery 999 years, Care Home and village centre 40 years
Belong Birkdale (land for Apartments; planning permission has been obtained)	2019 (estimated)	Leasehold	999 years
Belong Chester land (planning permission has been obtained)	2020 (estimated)	Freehold	N/A

In addition, the Charity's offices at Pepper House, Market Street, Nantwich, Cheshire, CW5 5DQ are rented on a 5-year operating lease.

Historical development of the Charity

Over the last ten years the Charity has shifted its focus from the traditional residential care home offering to the village community model. In the early 2000s the Charity (then CLS Care Services Limited ("**CLS**")) recognised that its ageing homes were not fit for their future use and as a result the Charity began to develop its "household model" for dementia care; piloting 10 bedded households within the existing CLS care homes. In 2007 the first Belong village was opened in Macclesfield. From 2005 to 2011, nine CLS care homes were closed to provide sites for the opening of the first four Belong villages. In 2014 the Charity opened its fifth Belong village in Warrington and sold the eight CLS care homes in Wigan as a going concern to another care provider. In 2016 the remaining eighteen CLS care homes were sold as a going concern to another care provider, completing the transition from the CLS care home model to the village community model. In February 2017 the Charity changed its name to Belong Limited and is now focused entirely on creating vibrant communities for older people in the Belong villages. Following the opening of two further Belong villages in June 2017 and April 2018 the Charity now operates seven Belong villages.

The impact of this transformation on the Charity's financial performance is shown in the table below, which has been prepared on a disaggregated unaudited basis using management data. The sale of the CLS care homes has assisted the Charity to decrease its operational gearing, to substantially reduce its overheads and to create a simpler operating structure having decreased the number of sites in operation from twenty-three (including five Belong villages) in 2014 to seven Belong villages currently. Planning permission has been obtained for two further Belong villages in Chester and Birkdale, which the Charity is aiming to open in the second half of the financial year from March 2019 to March 2020 and which are currently expected to be fully operational in the second half of the financial years ending March 2021 and March 2022, respectively.

		Year ending	
	31 Mar 2015	**31 Mar 2016**	**31 Mar 2017**
	£'000	**£'000**	**£'000**
Turnover			
Belong Villages[1]	13,859	16,810	19,571
CLS Homes	19,648	16,186	10,601
	33,507	32,996	30,171
Profit on Sale of Fixed Assets	5,638	3	11,385
Other income	34	34	527
	39,179	33,033	42,084

		Year ending	
	31 Mar 2015	**31 Mar 2016**	**31 Mar 2017**
	£'000	**£'000**	**£'000**
Earnings before interest, tax, depreciation and rent (EBITDAR)			
Belong Villages EBITDARM	3,707	4,922	6,356
Pre-opening costs of new Villages	(265)	-	(89)
CLS Homes EBITDARM	5,357	4,899	3,067
Central Overhead	(2,628)	(2,612)	(2,563)
	6,171	7,209	6,771
EBITDARM margin (before preopening and central management costs)			
Belong Villages	24.8%	29.3%	32.0%
CLS Homes	27.3%	30.3%	28.9%

(1) Includes all income from Belong Villages and Belong at Home

Trading Statement

As at the date of the Prospectus, the Charity has not published its audited financial statements for the year ended 31 March 2018. When published, these will reflect the first full year of trading following the final disposal of the CLS care homes as going concerns. The Charity is expecting to report that its earnings before tax, depreciation and borrowing costs for the Belong business will be broadly in line with expectations based on prior years' trading and taking into account the performance of Belong Morris Feinmann which opened in June 2017.

Both Belong Morris Feinmann and Belong Newcastle under Lyme, which opened in April 2018, are performing in line with or above the Charity's financial plan. These Belong villages, together with Belong Birkdale and Belong Chester, will have a target turnover and EBITDARM in excess of £4 million and £1.25 million, respectively, when fully operational. Central overheads as a percentage of income are expected to fall significantly over the period when all four new Belong villages become fully operational.

Alternative Performance Measures

Metric	Definition	Reconciliation (where relevant)	Rationale for inclusion
EBITDAR pre Central management cost (EBITDARM)	A measure to express the operational earnings of the business or a Belong village before charging • Taxation • Depreciation and amortisation • Borrowing costs including Interest and Rent on finance leases, and • Central overheads	Total revenue less total expenditure adding to the result: central overheads, depreciation, borrowing costs.	Measuring earnings with the effects of central overheads stripped out
EBITDARM Margin	A ratio showing EBITDARM divided by Turnover	EBITDARM divided by Turnover	Calculating a profit margin with the effects of central overheads stripped out.

Current borrowings of the Charity

The Charity currently has the following borrowings:

- **Loan facility with The Royal Bank of Scotland plc ("RBS")**

The Charity has a 5 year, LIBOR-linked floating rate term loan term facility, expiring on 29 July 2019, with RBS (the "**RBS Loan**"), under which the balance drawn down up to 31 March 2018 is £13,923,236. The RBS Loan is secured by a floating charge and fixed charges over certain properties. The floating charge will be released on the Issue Date. The fixed charges will be released to the extent that the RBS Loan is refinanced from the proceeds of the Loan Agreement.

Material contracts

Other than the Issuance Facility Documents to which the Charity will be a party, the Charity has entered into the following contracts (not being a contract entered into in the ordinary course of business) which is, or may be, material:

- **Agreement for Lease and forward funding agreement with Medicx Health (Thirty One) Limited**: agreement for lease and forward funding agreement between Medicx Health (Thirty One) Limited, Belong Limited and Belong (Construction) Limited, originally dated 8 July 2015 and subsequently amended, for the development of the care home part of Belong Birkdale. Under the terms of the current agreements Belong Construction Limited will invoice Medicx Health (Thirty One) Limited as the care home is constructed for a development cost of up to £10.25 million. On completion, the care home will be leased to the Charity on a 35 year lease with an RPI-linked rent with a 5% cap and 2% floor.

- **Agreement for Lease relating to Belong Wirral**: agreement for lease between Peel Land and Property (Ports) Limited and Belong (Construction) Limited dated 12 September 2017 relating to the lease of a property on the south west side of Dock Road Birkenhead (the "**Belong Wirral Agreement**"). Completion of the lease proposed in the Belong Wirral Agreement is subject to several conditions, including obtaining the required planning permission for development of the property

subject to the lease, which the Charity is seeking to obtain. The lease will have a 250 year term and impose an RPI-linked ground rent of £250 per annum per unit once the development is complete.

- **Agreement for Lease relating to Belong Beeston**: agreement for lease between Peveril Securities Limited and Belong Limited relating to land at Ellis Grove, Beeston, Nottingham. Completion of the lease proposed in the Belong Beeston Agreement is subject to several conditions, including obtaining the required planning permission for development of the property subject to the lease, which the Charity is seeking to obtain. The lease will have a 999 year term with a £40,000 ground rent per annum with RPI index-linked annual increases for the first 125 years payable from completion.

Board

Executive Management Team

Tracey Stakes, Chief Executive

Tracey Stakes became Chief Executive of the Charity in 2017, having played an instrumental role in the development and expansion of the Belong village model as Finance Director and a member of the executive team.

She joined the organisation in 1997 with a strong track record in third sector finance. Having qualified as a Chartered Accountant with Price Waterhouse in 1989, Tracey volunteered with the Voluntary Service Overseas (VSO) for three years, teaching and carrying out consultancy work in Tanzania.

She returned to the UK to take up a post as Finance Manager for a charitable housing association, which she fulfilled for a number of years, before moving to the Charity (then called CLS Care Services Limited).

Tracey chaired the National Care Forum's Finance Forum for five years, stepping down in 2017. She is also active in the community, volunteering as an independent examiner for two local charities.

Tracy Paine, Deputy Chief Executive

Tracy is a longstanding member of the Belong executive team and has been actively involved in the creation of Belong villages. Tracy is involved in the research, design and operation of the Charity. She ensures that each new village improves on the design of the previous one. This has led to a continuous evolution of design, models of care and leadership for the Charity to expand and develop home care, day care and Admiral Nursing services. Tracy was awarded a Winston Churchill Memorial Trust Travel Fellowship in 2016 enabling her to visit aged care facilities in Australia and the USA. She is a Registered Nurse and Chair of the National Care Forum's Practice Forum. She won Healthcare Design Champion in the Building Better Healthcare Design Awards 2011.

Chris Hughes, Chief Finance Officer

Chris has a strong track record in financial control and management, with extensive experience supporting the expansion of Belong villages since he joined the organisation in 2000. Prior to this, his experience spanned working within the finance team for a local authority and consultancy-side with an accountancy firm. He was promoted to the post of Head of Finance in 2015 and joined the executive team as Chief Finance Officer in 2017.

Stacey McCann, Chief Operating Officer

Stacey is currently Chief Operating Officer of Belong, having been appointed on 5 March 2018. Stacey was formerly Head of Nursing Strategy and Commissioning for NHS England, having worked for several years as a Senior Commissioning Lead across varying clinical service areas including End of Life Care, Cancer,

Intermediate Care, Service Transformation and Primary Care and as Associate Director for Cancer at North East Yorkshire and Humber Clinical Alliance. She has worked as a registered nurse, midwife and health visitor and has recently completed a Nye Bevan Leadership Academy Qualification.

Non-executives:

Roger Hoyle

Roger has worked for over 30 years in the NHS, including as an NHS Trust CEO, Department of Health's Local Director for NHS Trusts in the South West of England. From 1995, he was CEO of Liverpool Health Authority. Roger has since undertaken non-executive appointments, including Audit Commissioner, Regional Chair, Learning and Skills Council, NW, Non-Executive Director for Investors in People and Trustee of the Disabilities Trust. He is a law graduate and also studied at Harvard Business School. Roger served for around 40 years in the Territorial Army, retiring in 2010 as a Lieutenant Colonel.

Nicola Brooks

Nicola's professional background is in human resources and she has provided valuable expertise to guide the organisation's people policies and organisational culture over recent years.

Having spent most of her working life in local government, she then worked on a freelance basis for a number of years, providing human resources support and advice in the public and not for profit sectors.

She has been a non-executive member of the Charity's Board since 2011, and is also a trustee for a charity providing services to older people.

Robert Armstrong

A former Senior Manager with BT, Robert was a key player in BT's emerging European Strategy and was specifically involved in the development and establishment of a number of key European Joint Venture companies. After retiring from BT, Robert was appointed as a Non-Executive Director at Wrightington, Wigan & Leigh Hospital, which achieved successful Foundation Trust status and where he is now Chair.

Kate Baldwin

Kate Baldwin began her career in politics, working as an intern in the US senate, then as a research assistant in the House of Commons. She subsequently retrained in law and qualified as a solicitor in 2002.

After specialising in employment law in private practice, she moved into consultancy, providing employment and commercial expertise for law firms and private companies. Alongside consulting, Kate co-founded a wealth management business in 2005, taking on the role of Company Secretary until 2011. During that time, she commenced a career in lecturing and continues to lecture in business law, family law and professional conduct at the University of Law.

She became a dementia champion for the Alzheimer's Society through the Dementia Friends initiative in 2014 and is currently providing consultancy in conjunction with the Alzheimer's Society to project manage a Dementia Initiative for one of the UK's largest discretionary fund management firms.

Andrea Campbell

Andrea has over 25 years' experience working in the public sector for the NHS and local authorities, in a range of roles from community health development to Executive Director. For the past ten years, she has worked as a management consultant across health, social care, third sector organisations and national policy development.

She has also worked as a non-executive director of an NHS Trust since 2012. Andrea holds a Masters degree in Social and Public Policy from the University of Leeds.

Mike Cooney

A former Corporate Director with Trafford MBC, Mike oversaw the transformation of Community Services Adult and Social Care and the establishment of Trafford Housing Trust. In a public service career spanning 40 years, Mike has held a number of senior positions. Most recently, he has been engaged as an Advisor within the Department of Health.

John Roddy

John joined the Board in September 2011. Prior to starting his own business in 2009, John was Regional Director, Healthcare for a major bank. His consultancy provides healthcare specific services and his clients include a law firm, a valuation and agency partnership and a development company, all of whom specialise in the healthcare field.

Clive Unitt

Clive Unitt is the Founder and Director of Cube3 Solutions Ltd which specialises in strategic planning, financial control and general business management. Clive is a fellow of The Institute of Chartered Accountants and has over 30 years' experience across a wide range of businesses in the commercial, not-for-profit and charitable sectors. Clive has substantial experience as a Non-Executive Director serving on the board and chairing the audit committee for a number of organisations.

There are no conflicts of interest between the duties of each member of the Executive Management team and the Non-Executive Management team to the Charity and his or her private interests.

Corporate Governance

The Charity has adopted "Good governance: a Code for the Voluntary and Community Sector", which is a code of governance written for voluntary and community organisations. The Charity is committed to undertaking an annual review of its governance against the criteria of the Code in order to monitor compliance. The Charity provides induction and training for its trustees.

Regulatory Landscape

In England, care homes are regulated by the CQC, principally under the Health and Social Care Act 2008 ("**HSC**") and subordinate regulations, but elements of the Care Standards Act 2000 still apply. As a society registered under the Co-operative and Community Benefit Societies Act 2014, the Charity is also registered with the FCA.

The HSC includes an approval/registration process which has three broad elements to it. First, registration and approval of the particular "service provider" to provide "regulated activities". Once approved, the service provider (whether a corporate entity or an individual) becomes a "registered provider" and CQC issues a registration certificate setting out the activities for which the service provider is approved. Secondly, each "location" (site/property) from which the registered provider wishes to provide regulated activities must be approved and registered against the registered provider status. Thirdly, there is a requirement for managers of individual locations to be approved and registered (referred to as "registered managers"). Applications for such approvals are made to CQC and assessed according to set criteria.

In addition, CQC oversees the actual operation and delivery of care services, principally via an inspection regime. CQC inspectors inspect physical premises either on an agreed or unannounced basis. The inspections cover the provision of regulated activities and assess the service against five broad criteria:

Is the service safe?

Is the service effective?

Is the service caring?

Is the service responsive to people's needs?

Is the service well led?

Each criterion is then scored, with four grades being available: outstanding; good; requires improvement; or inadequate. There will then be an overall rating of the service using one of those four grades.

Where any aspect is rated "inadequate" or "requires improvement", recommendations will be made by CQC to achieve compliance with the applicable standards. In addition, where a service is rated "inadequate", warning notices will be served and appropriate action taken by CQC to achieve future compliance and the immediate safety of service users. It is possible for enforcement action to be taken by CQC and it has available the ultimate sanctions of prosecution or revocation of registrations. Revocation is usually a last resort as those using the service will need continuity of care. Inspection reports are publicly available on the CQC website.

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.

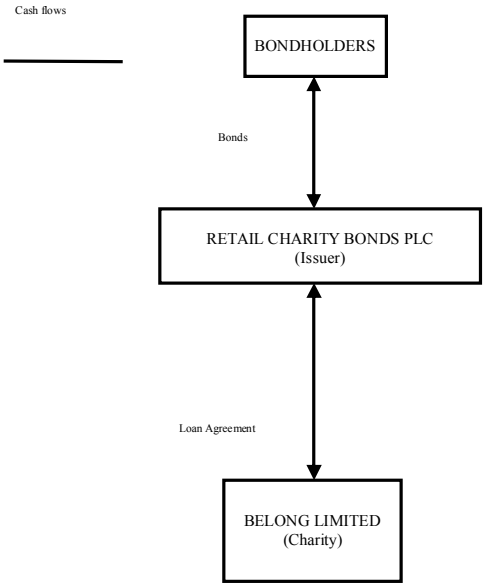
INFORMATION ABOUT THE BONDS

		Refer to
What is a bond?	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. 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. This Prospectus relates to a proposed issue of Belong Limited 4.5 per cent. Bonds due 20 June 2026 (including Retained Bonds) issued by Retail Charity Bonds PLC and secured on a loan to the Charity.	N/A
Who is issuing the Bonds?	The Bonds will be issued by the Issuer. 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. 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. 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	Appendix B (*"Terms and Conditions of the Bonds"*) Section 7 (*"Description of Retail Charity Bonds PLC"*)

		Refer to
	will be assuming credit risk on the Charity as to which, 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 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"*).	
What are Retained Bonds?	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 . 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**").	N/A
How will the Issuer deal with the Retained Bonds?	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: (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 (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. 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. 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.	N/A Appendix D (*"Loan Agreement"*)
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

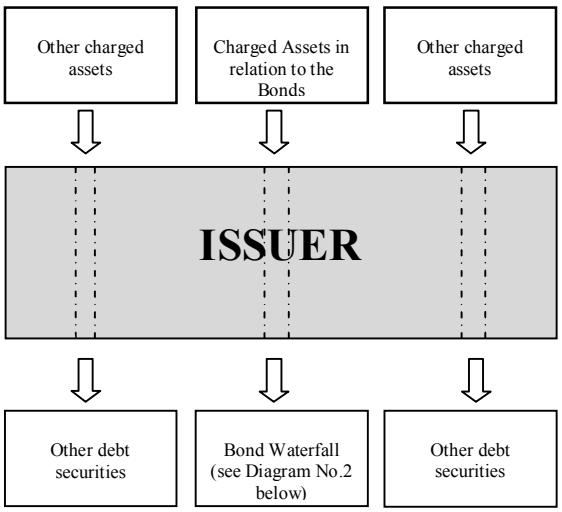
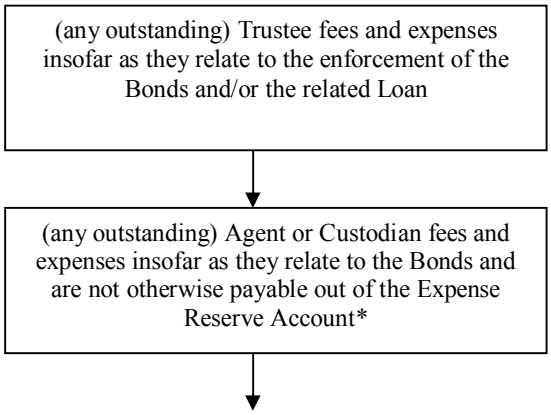
		Refer to
Agreement?	and hold the Retained Bonds on its behalf. The Custody Agreement contains customary terms for custody agreements and limited recourse and non-petition language on terms similar to the Terms and Conditions of the Bonds. The Custodian is one of the secured parties under the Trust Deed.	
Why doesn't the Charity issue the Bonds directly?	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: *Listing and costs for the Charity*: 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. *ISA and SIPPS*: 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.	N/A
Who is the Charity?	The Charity is Belong Limited (formerly known as CLS Care Services Limited), a registered society under the Co-operative and Community Benefit Societies Act 2014, registered in England and Wales on 17 April 1991 with registered number and suffix 27346R.	Section 3 ("*Description of the Charity"*)
What are the terms of the Bonds?	The Bonds will be subject to Appendix B ("*Terms and Conditions of the Bonds*"). The Bonds: • entitle the Bondholders to receive semi-annual interest payments at a fixed interest rate of 4.5 per cent. per annum, subject to Condition 8; • have a nominal amount of £100 per Bond; • are scheduled to be redeemed on 20 June 2026, although if the Charity fails to repay the Loan on that date, redemption shall be deferred until 20 June 2028 without default. If the Charity fails to repay the Loan on 20 June 2026 and repayment is deferred until 20 June 2028, under the terms of the Loan the rate of interest payable on the Bonds will increase by an	Appendix B (*"Terms and Conditions of the Bonds"*)

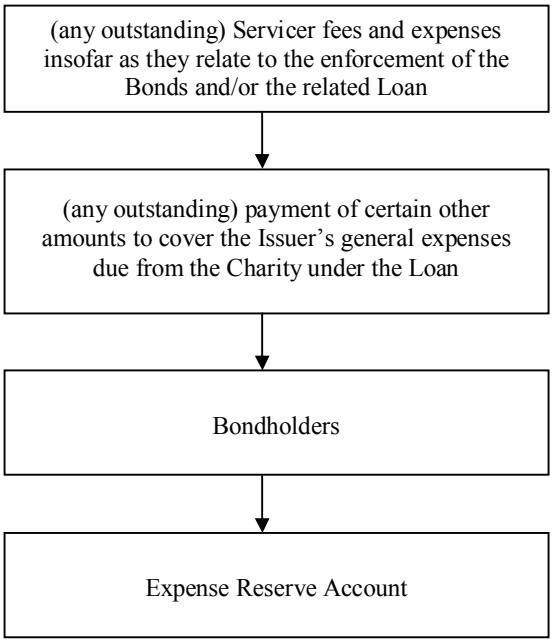
		Refer to
	additional 1.00 per cent. per annum; • will be redeemed at 100 per cent. of their principal amount on 20 June 2026 or, if redemption is deferred, on 20 June 2028; • may be redeemed early if the Charity repays the Loan early and in full, at the Sterling Make-Whole Redemption Amount (as defined below); and • are intended to be admitted to trading on the London Stock Exchange's regulated market and through ORB.	
What does it mean that the Bonds are "secured on a loan" to the Charity?	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. 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, (i) a requirement that, as at each relevant testing date, the sum of (A) the group's unencumbered properties (that is, those not subject to any security in favour of a third party), (B) tangible fixed assets (as set out in the Charity's latest financial statements) and (C) cash and investments that are deemed equivalent to cash (such as UK government bonds) is not less than 130 per cent. of the total unsecured debt of the group; and (ii) a requirement that the Charity will not (and will ensure that its subsidiaries do not) create any security to secure any financial indebtedness (a "**Secured**	Appendix D (*"Loan Agreement"*)

		Refer to
	Borrowing") unless, immediately after incurring such Secured Borrowing, the Charity's total Secured Borrowings is no greater than the higher of (A) the outstanding balance (capped at £13,711,447) of the RBS Loan and (B) 25 per cent. of the sum of the Charity's (1) fixed assets (excluding any of the Group's property that is subject to the terms of a lease or contract which would, in accordance with the accounting standards applicable to the Group at the relevant time, be treated as a finance or capital lease) and (2) cash and cash equivalent investments. 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. A description of the transaction structure is included below:  **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.** 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.	
Why are the Bonds being	The Charity will use the proceeds of the issue of the Bonds to further its charitable objects, to develop further Belong villages and	Section 3 ("*Description of the*

		Refer to
issued? What will the proceeds be used for?	to repay some or all of the RBS Loan.	*Charity*")
Will I be able to trade the Bonds?	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 21 June 2018. 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 ("*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"*).	Section 10 ("*Additional Information – Listing and admission to trading of the Bonds"*)
How will payments on the Bonds be funded?	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. Payments of interest and principal due on the Loan and those due on the Bonds (other than the Retained 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 (*"Description of Retail Charity Bonds PLC"*) Section 3 ("*Description of the Charity*") Appendix D (*"Loan Agreement"*)
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 4.5 per cent. per annum. The yield of the Bonds is 4.5 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 20 June and 20 December 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 "*When will the Bonds be repaid?*" below).	Condition 8 (*"Interest"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
When will interest payments be made?	The first payment of interest in relation to the Bonds is due to be made on 20 December 2018. Following the first payment, interest is expected to be paid on 20 June and 20 December in each year up to and including the date the Bonds are repaid.	Condition 8 (*"Interest"*) of Appendix B (*"Terms and Conditions of the Bonds"*)

		Refer to
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 4.5 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 20 June 2018, for instance, you will receive £2.25 on 20 December 2018 and £2.25 on 20 June 2019, 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 "*When will the Bonds be repaid?*" 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 (*"Interest"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
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 4.5 per cent. per annum until 20 June 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?	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 ("*Terms and Conditions of the Bonds"*)). 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. 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 (*Bond Waterfall*) 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. 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 certain related rights under the Issuance Facility Documents), which means that the holders of the Bonds will not have recourse	Section 7 (*"Description of Retail Charity Bonds PLC"*)

		Refer to
	to the other assets of the Issuer in connection with the other bond issues of the Issuer (see Diagram no. 1 (*Limited Recourse*) below). **Diagram no. 1 (*Limited Recourse*)**  * See "*Summary of the Servicer*" below. Further information is contained in the detailed provisions of Condition 6.2 ("*Post-Enforcement*") of Appendix B ("*Terms and Conditions of the Bonds*"). 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: **Diagram no. 2 (*Bond Waterfall*)**  	

		Refer to
	 * See "*Summary of the Servicer*" below. Further information is contained in the detailed provisions of Condition 6.2 ("*Post-Enforcement*") of Appendix B ("*Terms and Conditions of the Bonds*").	
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
When will the Bonds be repaid?	The Bonds are scheduled to be redeemed at 100 per cent. of their nominal amount on 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 the Legal Maturity Date. 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. 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	Condition 10 (*"Redemption and Purchase"*) of Appendix B (*"Terms and Conditions of the Bonds"*)

		Refer to
	money that was originally invested as they would have received had the Bonds not been redeemed.	
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 (*"Meetings of Bondholders, Modification and Waiver"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
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 (*"Terms and Conditions of the Bonds"*)
Can the terms and conditions of the Bonds be amended?	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. Bondholders may also sanction a modification of the terms and conditions of the Bonds by passing an extraordinary resolution.	Condition 17 (*"Meetings of Bondholders, Modification and Waiver"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
How do I apply for Bonds?	Details on how to apply for the Bonds are set out in Section 5 ("*How to Apply for the Bonds"*).	Section 5 ("*How to Apply for the Bonds"*)
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

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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

How and on what terms will Bonds be allocated to me?	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. 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 (as amended)). 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.
What is the issue price of the Bonds?	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 "*What is the amount of any expenses and taxes specifically that will be charged to me?*" below for further information.
How and when must I pay for my allocation and when will that allocation be delivered to me?	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.
When can the Authorised Offerors offer the Bonds for sale?	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 23 May 2018 to 12.00 noon (London time) on 13 June 2018, 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**"). 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.
Is the offer of the Bonds	The issue of Bonds is conditional upon (i) a subscription agreement being

conditional on anything else?	signed by the Issuer and the Manager on or about 18 June 2018 (the "**Subscription Agreement**"), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 18 June 2018; 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 20 June 2018. 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).
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?	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.
Is there a minimum or maximum amount of Bonds that I can apply for?	The minimum application amount for each investor is £500. There is no maximum amount of application.
How and when will the results of the offer of the Bonds be made public?	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 13 June 2018.
Who can apply for the Bonds? Have any Bonds been reserved for certain countries?	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.
When and how will I be told of how many Bonds have been allotted to me?	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.
Have any steps been taken to allow dealings in the Bonds before investors are told how many Bonds have been allotted to them?	No steps have been taken to allow the Bonds to be traded before informing you of your allocation of Bonds.
What is the amount of any expenses and taxes specifically that will be charged to me?	The Issuer will not charge you any expenses. 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.
What are the names and addresses of those distributing the Bonds?	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: Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET AJ Bell Securities Limited 4 Exchange Quay Salford Quays Manchester M5 3EE Equiniti Financial Services Limited Level 6, Broadgate Tower 20 Primrose Street London EC2A 2EW iDealing Limited 114 Middlesex Street London E1 7HY Redmayne-Bentley LLP 9 Bond Court Leeds LS1 2JZ
	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 (*"Important Legal Information – Public Offer of the Bonds – Authorised Offerors and Consent to use this Prospectus – Conditions to Consent"*). 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.
Will a registered market-maker be appointed?	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.

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 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. References to "interest" refer to interest as that term is understood for United Kingdom tax purposes. 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 carry a right to interest and 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. 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 on a "recognised stock exchange", 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 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.

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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 boards of CCLA Investment Management and CCLA Fund Managers Limited. 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.

Name	Other Principal Activities
Tim Jones	Tim Jones is Deputy Chairman and Chief Executive of Allia Ltd. He is also Chairman of Treatt plc, a quoted global flavour ingredients solutions business and a Fellow in Entrepreneurship at the Judge Business School at Cambridge University.
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 oversees Big Society Capital's external engagement work with charities, social enterprises and potential investors, and is also a trustee of the homelessness charity Crisis.
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 Executive Director of Housing and Customer Services at Aldwyck Housing and 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 and of Beyond Food CIC and a partner and director of Hilden Vineyard LLP.

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 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. On 6 July 2017, the Issuer issued £45,000,000 4.25% Bonds due 2026 (including Retained Bonds), secured on a loan to The Dolphin Square Charitable Foundation. On 31 October 2017, the Issuer issued £38,000,000 4% Bonds due 2027 (including Retained Bonds), secured on a loan to Hightown Housing Association Limited. On 23 November 2017, the Issuer issued £18,000,000 3.9% Bonds due 23 November 2027 (including Retained Bonds), secured on a loan to Golden Lane Housing Ltd (a wholly owned subsidiary of the Royal Mencap Society).

The Issuer's audited financial statements for the years ended 31 August 2016 and 31 August 2017 have been filed with the Financial Conduct Authority and are attached to this Prospectus as Appendix F ("*Issuer's Financial Statements for the Years Ended 31 August 2016 and 31 August 2017*"). 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/) and obtained from the registered office of the Issuer and from the specified office of the paying agent for the time being in London.

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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 the 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.

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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 18 June 2018, 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 23 May 2018 to 12.00 noon (London time) on 13 June 2018 and 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 ("**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA 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 circulated, and will not circulate, in Jersey any offer for subscription, sale or exchange of Bonds unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended, constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

Guernsey

The Manager has represented and agreed that:

(a) the Bonds cannot be promoted, marketed, offered or sold in or from within the Bailiwick of 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; and

(b) 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, the Insurance Managers and Insurance Intermediaries (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; and

    (iii) the requirements set out in section 29(c) of the Protection of Investors (Bailiwick of Guernsey) Law 1987 in respect of (b)(i) above and the requirements set out in section 29(cc) of the Protection of Investors (Bailiwick of Guernsey) Law 1987 in respect of (b)(ii) above have been complied with.

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 or in accordance with any relevant exclusion contained in the Isle of Man Regulated Activities Order 2011 or in accordance with any relevant exemption contained in the Isle of Man Financial Services (Exemptions) Regulations 2011.

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.

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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 5 April 2018.

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 20 June 2018, 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 the Charity under the Loan Agreement to be dated the date of issue of the Bonds, to be applied by the Charity to further its charitable objects, to develop further Belong villages and to repay some or all of the RBS Loan. 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 4.5 per cent. per annum until 20 June 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.

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

where:

"P" is the Issue Price of the Bonds;

"C" is the annualised interest amount;

"A" is the principal amount of Bonds due on redemption;

"n" is time to maturity in years; and

"r" is the annualised 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 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, the 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 18 June 2018; 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 XS1821505259 and the Common Code for the Bonds is 182150525.

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 2017 and no material adverse change in the prospects of the Issuer since 31 August 2017.

There has been no significant change in the financial or trading position of the Charity or the Group since 31 March 2017 and there has been no material adverse change in the prospects of the Charity or the Group since 31 March 2017.

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 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 years ended 31 August 2016 and 31 August 2017. The auditors of the Issuer have no material interest in the Issuer.

The auditors of the Charity are Crowe Clark Whitehall LLP, who have audited the Charity's accounts (without qualification) in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for each of the three financial years ending on 31 March 2015, 31 March 2016 and 31 March 2017. The auditors of the Charity have no material interest in the Charity.

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 expected to be supplemented by a Supplemental Trust Deed expected to be dated 20 June 2018 (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 9.

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 or the Loan Agreement.

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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*"), 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 Financial Statements For The Years Ended 31 March 2015, 31 March 2016 And 31 March 2017*"). 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, Equiniti Financial Services Limited, iDealing Limited or Redmayne-Bentley LLP; or
- named on the Issuer's website (http://www.retailcharitybonds.co.uk/bonds/belong) 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 MiFID II 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 23 May 2018 to 12.00 noon (London time) on 13 June 2018 (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 23 May 2018 to 12.00 noon (London time) on 13 June 2018.

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 period from 23 May 2018 to 12.00 noon (London time) on 13 June 2018, 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**") 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, Equiniti Financial Services Limited, iDealing Limited 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/belong) 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 MiFID II (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 4.5 per cent. Bonds due 20 June 2026 (the "**Bonds**") described in the Prospectus dated 23 May 2018 (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:

(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 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 and consider the relevant manufacturer's target market assessment and distribution channels identified under the "MiFID II product governance" legend set out in this Prospectus;

(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.

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 20 June 2018 (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 Westminister 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 Belong Limited;

"**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 20 June and 20 December 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 20 June 2018;

"**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 depositary 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 4.5 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 £2.25 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 20 June 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 20 June 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, (a) fails so to do within a reasonable period or (b) is unable for any reason so to do and the failure or inability 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 depositary 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 purpose 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.

LOAN AGREEMENT

THIS AGREEMENT is dated 20 June 2018 and is made

BETWEEN:

(1) **BELONG LIMITED**, registered in England as a registered society under the Co-operative and Community Benefit Societies Act 2014 and with registration number and suffix 27346R on the Mutual Public Register, whose registered office is at Pepper House, Market Street, Nantwich, Cheshire CW5 5DQ (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 UK GAAP, the requirements of the Co-operative and Community Benefit Societies Act 2014 and FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland) or any other accounting principles adopted by the Charity 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;

(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 "**PRIIPs 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 4.5% Bonds due 20 June 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 (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, of not less than A from S&P and/or A2 from Moody's, 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 (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 18 June 2018;

"**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 by measuring it against equity, assets, total capital or operating surplus;

"**Finance Leased Properties**" means any Property subject to the terms of a lease or contract which would, in accordance with the Accounting Standards applicable to the Group at the relevant time, be treated as a finance or capital lease;

"**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) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

(g) 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);

(h) 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

(i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) 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 the Group, as the case may be, for the relevant period;

"**First Testing Date**" has the meaning given to it in the definition of "Testing Date";

"**Fixed Assets**" means the amounts described as fixed assets as determined from the most recent Financial Statements;

"**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 20 June and 20 December in each year commencing on 20 December 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;

"**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 23 May 2018 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));

"**RBS Loan**" means the loan agreement between CLS Care Services Limited (now Belong Limited) and The Royal Bank of Scotland plc dated 29 July 2014, as amended from time to time;

"**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;

"**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;

"**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 2 (*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;

"**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;

"**Revaluation**" means a valuation of all or any Fixed Assets carried out by external valuers on an open market basis;

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any of its affiliates;

"**Secured Borrowing**" has the meaning given to it in Clause 9.3;

"**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;

"**Tangible Fixed Assets**" means the amounts described as tangible fixed assets as determined from the most recent Financial Statements, save for those which are subject to any Security in favour of any other person;

"**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, provided, however, that the first Testing Date under this Agreement shall be 31 March 2019 (the "**First Testing Date**");

"**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;

"**UK GAAP**" means UK Generally Accepted Accounting Practice;

"**Uncharged Property Value**" means the value of the Group's Unencumbered Properties and Tangible Fixed Assets;

"**Unencumbered Properties**" means all Properties owned by the Group which are not subject to any Security in favour of any other person, as valued for the purpose of drawing up the Financial Statements, but excluding any Finance Leased Properties; and

"**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 substation 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 (in whole or in part) 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 £2,000,000 or such higher amount as would ensure that, if any Retained Bonds remain outstanding after any such Retained Advance, the amount of such Retained Bonds outstanding is no less than £2,000,000;

(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 (or, in the event that such index ceases to be published, any comparable or replacement index substituted by the Lender at its discretion, acting reasonably) 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 Sub-clause 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 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, the Charity confirms that 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.

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 six months 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, provided, however, that the first Compliance Certificate to be delivered under this Agreement shall only be required to be delivered in respect of the First 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 (or, as the case may be, its consolidated) 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 two of its directors or senior officers 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 as soon as the same becomes available, but in any event within six months of the end of each of its financial years, in such form as may be separately agreed between the Charity and the Lender (each acting reasonably).

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 this Clause 9.1(b), 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 companies generally.

9.3 Limitation on Secured Borrowing

(a) The Charity will not, and will procure that no member of the Group will, create, assume or permit to subsist any Security upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Financial Indebtedness or to secure any guarantee or indemnity in respect of any Financial Indebtedness (a "**Secured Borrowing**") unless immediately after incurring such Secured Borrowing the Charity's total Secured Borrowings is no greater than the higher of (i) the outstanding balance of the RBS Loan (which may not, for the purpose of this Clause 9.3, exceed £13,711,447) and (ii) 25 per cent. of the sum of Fixed Assets (excluding any Finance Leased Properties), Cash and Cash Equivalent Investments (such higher amount, the "**Secured Borrowings Limit**").

(b) The Secured Borrowings Limit shall be tested as at the date of incurrence of the relevant Secured Borrowing and, in respect of Fixed Assets and Secured Borrowings only, will be calculated by reference to the last Financial Statements, adjusted to reflect (i) the exclusion of the value of any

Finance Leased Properties otherwise included in Fixed Assets, (ii) any acquisition or disposal of Fixed Assets (including any Fixed Assets acquired at the same time the relevant Secured Borrowing is incurred) after the date of the last Financial Statements, in each case as adjusted by any subsequent Revaluation and (iii) the incurrence or repayment of any Secured Borrowings after the date of the last Financial Statements.

9.4 Financial Covenant Calculations

Uncharged Property Value, Fixed Assets and Cash Equivalent Investments shall be calculated in accordance with the 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 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 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

(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 (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: Belong Limited (the "**Charity**")

Dated: [_____]

Dear Sirs

Belong Limited – Loan
dated 20 June 2018 (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 [consolidated] financial statements of the Charity for the year ended [ ] fairly represent the Charity's [consolidated] 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 8.6.

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.

6. We confirm that neither the Charity nor any member of the Group has incurred a Secured Borrowing in such a manner that, immediately after the incurrence of the relevant Secured Borrowing, the Charity's total Secured Borrowing was no greater than the Secured Borrowing Limit.

Signed: .....

Director
of
Belong Limited

* 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

RETAINED ADVANCE REQUEST

From: Belong Limited

To: Retail Charity Bonds PLC

Dated: [ ]

Dear Sirs

Loan Agreement
dated 20 June 2018 (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
Belong Limited

Agreed and accepted by

_____

authorised signatory for
Retail Charity Bonds PLC

Date:

SIGNATORIES

The Charity

BELONG LIMITED

Address: Pepper House
Market Street
Nantwich
Cheshire CW5 5DQ

Email: tracey.stakes@belong.org.uk

Attention: Tracey Stakes

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 FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH 2015, 31 MARCH 2016 AND 31 MARCH 2017

INDEX TO CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS

CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

CLS CARE SERVICES LIMITED

Registered Society Number 27346R

GROUP FINANCIAL STATEMENTS

AND

REVIEW OF THE YEAR

For the Year Ended
31 March 2015

GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

CONTENTS

CHAIR'S REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure and Management

The Board members of CLS Care Services Limited (CLS) present their Annual Report for the year ended 31 March 2015 under the Co-Operative and Communities Benefit Societies Act 2014, including the Chair's Report and the Strategic Report, together with the audited financial statements for the year. CLS is a Registered Society (Number 27346R) with charitable status. The governing document enables a Unitary Board structure and permits the remuneration of Non-Executive Board members. The Board may consist of up to 12 members, with no more than one third of Board members being Executive Board members. Non-Executive Board members are elected by members at the Annual General Meeting. The Board meets up to 12 times a year and the effectiveness of the Board is reviewed annually The Audit Committee of the Board meets 4 times a year and the Remuneration Committee meets when required, usually annually. The Board has accepted the recommendation of the Remuneration Committee that Non-Executive Board members' remuneration is paid with payments at a level based on amounts paid by Registered Social Landlords, payments being effective from 1 April 2013. Operational management is delegated to the Chief Executive and the Executive Board. The role and responsibilities of the Board is set out in the document 'Your Guide to Being a Board Member'.

Recruitment, Selection and Induction of Board Members

The Society aims to reach as wide a pool of potential Board members as possible in order to achieve a Board that properly reflects the diversity of the population the organisation serves. The Board believes advertising publicly in local and where appropriate, national media is the preferred method. The recruitment and selection of Non-Executive Board members is delegated to a Sub-Committee of the Board who draws up a person specification based on the current skill mix and perceived future needs of the Board. Applicants are scored against these requirements in order to create a short list of applicants to be interviewed by a panel comprising usually of 3 Board members, including an Executive Board member, who report their recommendations to the Board. Care is taken in this process to ensure applicants are assessed in a fair and transparent way that tries to ensure applicants particularly those from diverse backgrounds are not disadvantaged by the process. All new Board members are provided with a programme of induction in order for them to learn about their role and how the Group is managed. The programme includes visits to the villages and care homes in the Group.

Statement of Board Responsibilities

The Board members are responsible for preparing the Strategic Report, the Chair's report and the financial statements in accordance with applicable law and regulations. In preparing those financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Society will continue in operation).

Insofar as each of the Board members of the Society, at the date of approval of this report, is aware there is no relevant audit information (information needed by the Society's auditors in connection with preparing the audit report) of which the Society's auditors are unaware. Each Board member has taken all of the steps that they should have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Board members have overall responsibility for ensuring that the Society has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-Operative and Communities Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence taking reasonable steps for the detection and prevention of fraud and other irregularities.

Employees

It is the policy of the Society to ensure that continued employment is offered to employees who become temporarily or permanently disabled. Furthermore, it is the policy of the Society to ensure that people with disabilities are treated fairly and that they are encouraged and supported to join, remain and progress within the Society, whilst recognising the special importance of health and safety in their employment. It is also the policy of the Society to keep employees informed on matters affecting their interests through normal management channels and due consideration is also given to their interests in the management decision making process.

OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

CLS Care Services Limited's objects are to carry on any charitable purpose for the benefit of the community and in particular to provide accommodation, care, support and associated facilities, amenities and services for persons who by reason of age, illness, disability (including physical, mental and/or learning disability), poverty or social and economic circumstances are in need thereof.

CLS aims to provide high quality, person centred care for older people. In furtherance of its objectives, the CLS Group provides quality care, accommodation and ancillary services to older people. In particular CLS supports people with dementia. The Group's goal is to create village communities enabling older people to live the lives they choose and to establish Belong as a beacon of light for our market providing top quality services through great people at competitive prices

The Belong villages provide a range of care, housing and support options for older people, as well as extensive amenities in the village centre including a bistro, hair salon, exercise studio and function rooms. Belong specialises in supporting people with dementia and 24-hour care is provided in extended family sized households, with modern open plan layouts specially designed around the needs of people with dementia and all employees working in Belong villages are trained in dementia awareness.

The Board members consider that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to Public Benefit guidance published by the Commission, including the guidance on Public Benefit and Fee Charging. Fees and rents are set at a level to cover costs and meet bank covenants. Any surpluses are reinvested to subsidise improved services for older people. Care fees are benchmarked against the Joseph Rowntree Foundation published figures for the efficient cost of care. Access to people in poverty is provided by making facilities available to residents funded by their local authority or Clinical Commissioning Groups at subsidised rates. This is assisted by negotiations with Local Authorities and Clinical Commissioning Groups to ensure their contributions to residents' fees provide full cost recovery and by supporting residents to claim all benefits to which they are entitled.

STRATEGIC REPORT

Financial Review 2014/15

CLS has achieved a surplus for the year of £4.4m (2014: surplus of £2.6m) with the Group reporting a surplus of £7.9m (2014: surplus of £2.5m), with £5.6m of the surplus relating to the surplus on the sale of the eight Wigan homes. The Group operating surplus before interest increased to £3.8m (2014: £3.7m) as improved contributions from the mature Belong villages counteracted the reduction in contribution from the CLS homes after the sale of the Wigan homes. The sale proceeds of £8.5m were used to reduce the group debt. Bank loans were refinanced with the Royal Bank of Scotland at the end of July 2015

Occupancy in CLS increased from 94% in 2013/4 to 96% in 2014/15. Group occupancy increased from 94.4% in 2013/14 to 96.4% in 2013/14 with occupancy in the established Belong villages at 97.7%. Agency costs increased to £577,000 (2014: £271,000) with difficulties experienced in recruiting nurses and night staff in particular.

The surplus for the year and the actuarial losses in the Local Government Pension schemes of £229,000 for CLS (2014: £661,000 gain) and £613,000 for the Group (2014: £530,000 gain) have increased the Group reserves to a surplus of £9.7m (2014: £2.4m). The employer's contribution to the Local Government Pension Schemes is currently set at levels to achieve a funding level of 100% over a 15 year period. Following the sale of the Wigan homes, CLS has provided an indemnity of £3.2m to its subsidiary Borough Care Services Limited in respect of its Local Government Pension scheme.

Achievements and Performance

During the year the CLS Group won the Best Frontline Leader at the Great British Care Awards, the Best Activity Organiser in the Great North West Care Awards and CLS Group won Best Employer in the Great North West Care Awards. Belong won the Extra Care Provider of the year at the Laing & Buisson Independent Healthcare Awards 2014. Belong Warrington won Best Inclusive Building at the North West LABC Awards and Belong's Exercise Service was rated NESTA level 2 by Public Health England's National Centre for Sport and Exercise Medicine.

The development of the fifth Belong village, Belong Warrington was completed in August 2014. By the year end, the village was breaking even with three households full and all 18 apartments occupied. Belong Villages now offer 351 household bedrooms and 128 apartments. Contracts were exchanged with the Morris Feinmann Home's Trust for the development of a Belong village in Didsbury to meet the needs of the Jewish Community. The planning application for the proposed development was approved in June 2015 enabling the land purchase to be completed, with a start on site planned for August 2015.

The organisation is also a registered domiciliary provider and can support people in their own home, through its Belong at Home service in Wigan and East Cheshire. During 2014/15, Belong at Home provided about 44,000 hours of support (2014: 28,000), the number of customers has increased to 130 people by the year end (2014: 106 people), with turnover increasing to £561,000 (2014: £467,000).

Experience days have been developed at the Belong Villages to offer an alternative to day care providing an opportunity for older people to get involved in the Belong community and enjoy some of the activities that we offer. During 2014/15 this produced £141,000 of income (2013/14: £91,000) and over 225 days per month provided by the year end.

The organisation provides an Admiral Nurse, appointed in partnership with national charity Dementia UK, to provide individualised support for family members, carers and people in Belong villages who have been medically diagnosed with any form of dementia.

Principal Risks and Uncertainties

CLS has undertaken a review of its business processes and attempted to identify the major business risks to which it is exposed. It is satisfied that systems and strategies are in place to mitigate these risks. Identification and review of business risks remains an on-going management process. The key risks and uncertainties facing the Group are:

- a dependency on local authority funded residents in CLS homes;
- Increasing maintenance costs in CLS homes;
- Increases in costs rising at a rate higher than potential fee increases;
- The volatility of the pension deficit;
- Reduced occupancy.

Plans for Future Periods

The Group's strategy is to create village communities enabling older people to live the lives they choose by providing top quality services by great people at competitive prices. The continued development of Belong villages aims to fulfil this strategy over the next 5 years and helps to mitigate the principal risks and uncertainties above.

The key objectives for the Group for 2015/16 are:

- to start on site with the developments of Belong Villages in Chester and Didsbury;
- to obtain planning permission for Belong Villages in Southport and Newcastle-under-Lyme;
- to purchase the freeholds of the Cheshire East leasehold homes;
- continued high occupancy; and
- reduced agency costs.

AUDITORS

The incumbent auditors, Crowe Clark Whitehill LLP, have expressed their willingness to continue in office and a resolution to reappointment them will be proposed at the Annual General Meeting.

My thanks go to all staff for their commitment and achievements and to the Board for their dedication, enthusiasm and hard work.

This Annual Report was approved by the Board Members on 15 July 2015, including approving the Strategic Report contained therein and is signed as authorised on its behalf by

Gillian Boston
CHAIR

15 July 2015

A SUMMARY OF INFORMATION

1 **The Board Members**

Non-Executives

Gillian Boston DIPSW, BA (Hons), MA	Chair
Roger Hoyle TD, BA DipHSM	Vice Chair
Robert Armstrong BSc (Open)	
Kate Baldwin BA Hons, PG Dip (Law), PG Dip(LP)	
Nicola Brooks BA Hons, FCIPD	
Mike Cooney BA, MBA, DMS, CQSW	
John Roddy ACIB	
Clive Unitt FCA	

Executives

Nick Dykes BA Hons, MBA	Chief Executive
Tracey Stakes BSc, FCA, DipChA, MBA	Finance Director and Secretary
Tracy Paine RGN,MA, MSc	Operations Director
Robert Black MBA, DipSM, RMN, RGN	Managing Director – CLS Homes – Left 31 December 2014

2 **Bankers**

Royal Bank of Scotland
2nd Floor
41 Cornmarket
Derby
DE1 2DH

3 **Statutory Auditor**

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

4 **Principal Solicitors**

Trowers and Hamlins
Sceptre Court
40 Tower Hill
London
EC3N 4DX

5 **Registered Office**

Pepper House
Market Street
Nantwich
Cheshire
CW5 5DQ

Telephone:	01270 610666
Fax:	01270 628127
Websites:	clsgroup.org.uk
	belong.org.uk

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLS CARE SERVICES LIMITED

We have audited the Group and parent society financial statements of CLS Care Services Limited (the "Society") for the year ended 31 March 2015 (the "financial statements") which comprises the Income and Expenditure Account, the Balance Sheet, Cash Flow Statement and the related notes. 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 Society's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS AND AUDITORS

As more fully explained in the Statement of Board Responsibilities set out on page 1, the Society's Board members are responsible for the preparation of financial statements which 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board members; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Chairs' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Society and Group as at 31 March 2015 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following.

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Crowe Clark Whitehill LLP.

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

15 July 2015

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015

		GROUP		CLS	
		2015	2014	2015	2014
	Note	£000's	£000's	£000's	£000's
INCOME					
Charges for accommodation		30,698	31,445	27,385	25,152
Other income	2	2,909	2,702	3,068	2,958
		33,607	34,147	30,453	28,110
Direct costs of accommodation & services		(23,774)	(24,530)	(21,518)	(19,858)
		9,833	9,617	8,935	8,252
Other operating expenses:					
Administration expenses		(5,694)	(5,516)	(4,706)	(4,240)
Publicity expenses		(375)	(384)	(353)	(335)
		(6,069)	(5,900)	(5,059)	(4,575)
Operating surplus before interest	4	3,764	3,717	3,876	3,677
Surplus on disposal of fixed assets		5,638	597	1,924	597
Interest receivable		19	11	11	8
Interest payable	5	(1,510)	(1,826)	(1,460)	(1,676)
Retained Surplus for the year		7,911	2,499	4,351	2,606
Statement of Total Recognised Gains and Losses					
Surplus for the year and total recognised gains relating to the year		7,911	2,499	4,351	2,606
Actuarial (loss)/gain on defined benefit pension schemes	22	(613)	530	(229)	661
Total gains recognised since the last accounts		7,298	3,029	4,122	3,267

All of the above transactions relate to continuing operations.

The notes on pages 9 to 19 form part of the financial statements.

Movements on Reserves are set out in note 13.

BALANCE SHEET
AS AT 31 MARCH 2015

	Note	GROUP 2015 £000's	GROUP 2014 £000's	CLS 2015 £000's	CLS 2014 £000's
Fixed Assets					
Tangible assets	6	56,087	56,422	57,004	54,494
Current Assets					
Stock	7	56	63	56	50
Debtors	8	2,920	3,247	2,923	2,847
Long Term Debtor	8	-	-	-	2,423
Cash at bank and in hand		5,234	2,732	4,027	1,948
		8,210	6,042	7,006	7,268
Creditors : amounts falling due within one year	9	(8,904)	(29,058)	(10,701)	(27,995)
Net Current (Liabilities)		(694)	(23,016)	(3,695)	(20,727)
Total Assets Less Current Liabilities		55,393	33,406	53,309	33,767
Creditors : amounts falling due after more than one year	10	(34,708)	(20,110)	(34,708)	(19,106)
		20,685	13,296	18,601	14,661
Deferred Income	11	(393)	(479)	(393)	(479)
Net Assets excluding pension assets and liabilities		20,292	12,817	18,208	14,182
Defined benefit pension scheme liability	22	(10,574)	(10,397)	(7,120)	(7,216)
Net Assets including pension assets and liabilities		9,718	2,420	11,088	6,966
Financed by :					
Capital and Reserves					
Reserves	13	9,718	2,420	11,088	6,966
		9,718	2,420	11,088	6,966

The notes on pages 9 to 19 form part of these financial statements. The financial statements were approved by the Board on 15 July 2015 and are signed on its behalf by:

Gillian Boston
CHAIR

Roger Hoyle
VICE CHAIR

Tracey Stakes
SECRETARY

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015

	Note	GROUP 2015 £000's	GROUP 2014 £000's	CLS 2015 £000's	CLS 2014 £000's
Reconciliation of operating surplus to net cash inflow from operating activities					
Operating surplus		3,764	3,717	3,876	3,677
Pension costs		(593)	(537)	(473)	(419)
Depreciation		2,481	2,523	2,320	2,207
Transfer of deferred grant		(86)	(102)	(86)	(102)
Increase/(Decrease) in bad debt provision		285	(52)	285	(52)
Decrease/(Increase) in stock		7	(8)	(6)	(5)
Decrease in debtors		42	567	2,062	504
Increase in creditors		1,221	920	4,101	894
Net cash inflow from operating activities		7,121	7,028	12,079	6,704
CASH FLOW STATEMENT					
Net cash inflow from Operating activities		7,121	7,028	12,079	6,704
Returns on investments and servicing of finance	14	(1,334)	(1,406)	(1,301)	(1,357)
Capital disposal proceeds less expenditure	14	3,493	(10,913)	(2,903)	(10,707)
		9,280	(5,291)	7,875	(5,360)
Financing	14	(6,779)	5,083	(5,797)	5,142
Increase/(Decrease) in cash		2,501	(208)	2,078	(218)
Reconciliation of net cash flow to movement in net debt					
Increase/(Decrease) in cash	15	2,501	(208)	2,078	(218)
Loans repaid		6,734	(5,103)	5,753	(5,162)
Finance lease		44	3,080	44	3,080
Net debt at 1 April		(38,166)	(35,935)	(37,969)	(35,669)
Net debt at 31 March		(28,887)	(38,166)	(30,094)	(37,969)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1 ACCOUNTING POLICIES

(a) Basis of preparation of the Financial Statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the requirements of the Co-Operative and Communities Benefit Societies Act 2014.

(b) Basis of Consolidation

The Group financial statements incorporate the audited financial statements of CLS and all of its subsidiary undertakings.

(c) Fixed Assets

Equipment

All items with an individual value in excess of £250 and a useful life of at least 3 years are capitalised.

Works to Existing Homes and Villages

The Society capitalises expenditure incurred on the homes which increases their net income stream. An increase in the income stream may arise through increased revenue, a reduction in future maintenance costs or a significant extension of the life of the home.

(d) Depreciation

Depreciation is charged to write-off the cost of fixed assets over their useful working lives and is calculated on a straight line basis over the periods set out below:

Freehold Property	50 years
Leasehold Property	over the life of the lease
Leasehold Improvements	5 to 20 years
Furniture, Fittings and Fixtures	5 to 10 years
Computers, Plant and Equipment	3 to 10 years

Land and assets in the course of construction are not depreciated.

(e) Leases

Operating

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account on a straight line basis over the life of the lease term.

Finance

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income and expenditure account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

(f) Stocks

The value of stocks held in the Homes and Villages are stated in the Balance Sheet at the lower of cost and net realisable value.

(g) Pension Costs

The Society operates a defined contribution and defined benefit pension scheme for employees. The expected costs of providing pensions under the defined benefit scheme, as calculated periodically by professionally qualified actuaries, are charged to the Income and Expenditure Account so as to spread the cost over the service lives of employees. The costs of the defined contribution arrangements are charged as incurred.

(h) Government Grants

Grants received in respect of capital expenditure are credited to deferred grants and amortised in the income and expenditure account over the life of the asset.

(i) Corporation Tax

The Society has been granted exemption from Corporation Tax under ICTA 1988.

(j) Income

Total income for the year represent charges for residential and care services for elderly persons, funds generated for the benefit of residents and other income. The main source of income is from the provision of residential care funded by local authorities.

(k) Expenditure

Expenditure included in the Income and Expenditure Account on an accruals basis. Most expenditure is directly attributable to specific activities and has been included in those cost categories. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

2 OTHER INCOME

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Training grants received	9	16	9	16
Rental income	1,229	1,083	1,414	1,453
Domicilliary income	561	467	561	467
Day Care	264	240	244	204
Miscellaneous income	786	821	780	712
Gift Aid	5	3	10	49
Donations & fund raising	55	72	50	57
	2,909	2,702	3,068	2,958

Miscellaneous income includes a range of non-residential services for elderly persons throughout Cheshire, Warrington and Wigan. These comprise village income from the bistro, hairdressers, exercise studio and venue.

3 STAFF COSTS

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Wages and salaries	16,930	17,873	15,115	14,320
Social Security costs	826	895	753	740
Other pension costs				
Amounts paid to defined contribution scheme	276	283	247	240
Amounts within operating profit	117	118	49	51
Amounts included as other finance costs	157	409	148	312
Actuarial losses / (gains) on defined benefit schemes	613	(417)	229	(548)
	18,919	19,161	16,541	15,115

Non Executive Directors are paid a remuneration by the Society in addition to the reimbursement of travelling and other necessary expenses. The Chair of the Board receives remuneration of £12,000 per annum, Vice Chair £7,000 per annum and all remaining Non-Executive Directors receive £5,000 per annum.

The average number of staff employed by the Group during the year was 1,601 (2014:1,710). These were made up of 1,011 Care Staff, 155 Administration Staff and 435 Domestic and Other Staff.

4 SURPLUS BEFORE INTEREST

The surplus before interest is stated after charging:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Auditors' remuneration:-				
- in their capacity as Auditors	26	26	14	17
- for non-audit services	6	3	6	3
Depreciation	2,481	2,523	2,320	2,207
Operating leases	70	64	70	64

5 INTEREST PAYABLE

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Interest payable in respect of:-				
Bank loan and overdraft	853	901	812	848
Net interest on pension scheme liabilities	157	409	148	312
Finance charges payable under finance leases	500	516	500	516
	1,510	1,826	1,460	1,676

6 FIXED ASSETS

Group

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2014	37,998	6,486	6,386	13,548	5,302	6,558	76,278
Additions during the year	2,007	962	68	141	807	858	4,843
Reclassification	6,387	-	(6,387)	-	-	-	-
Disposals during the year	(6,211)	-	-	(921)	(2,955)	(3,197)	(13,284)
As at 31 March 2015	40,181	7,448	67	12,768	3,154	4,219	67,837
DEPRECIATION							
As at 1 April 2014	8,060	-	-	4,129	3,808	3,859	19,856
Charge for the year	1,062	-	-	432	428	559	2,481
Eliminated on disposals	(4,110)	-	-	(921)	(2,848)	(2,708)	(10,587)
As at 31 March 2015	5,012	-	-	3,640	1,388	1,710	11,750
NET BOOK VALUE							
As at 1 April 2014	29,938	6,486	6,386	9,419	1,494	2,699	56,422
As at 31 March 2015	35,169	7,448	67	9,128	1,766	2,509	56,087

Included above are assets acquired under finance leases with net book values as follows:

As at 1 April 2014	8,810	8,810
As at 31 March 2015	8,522	8,522

Depreciation charged for the year on assets purchased under finance leases totals £288,000 (2014: £296,000).

CLS

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2014	35,103	6,518	6,567	13,548	4,830	5,308	71,874
Additions during the year	2,004	978	70	141	797	844	4,834
Reclassification	6,568	-	(6,568)	-	-	-	-
Disposals during the year	(1,410)	-	-	(921)	(2,473)	(1,932)	(6,736)
As at 31 March 2015	42,265	7,496	69	12,768	3,154	4,220	69,972
DEPRECIATION							
As at 1 April 2014	6,662	-	-	4,129	3,452	3,137	17,380
Charge for the year	977	-	-	432	407	504	2,320
Eliminated on disposals	(1,410)	-	-	(921)	(2,471)	(1,930)	(6,732)
As at 31 March 2015	6,229	-	-	3,640	1,388	1,711	12,968
NET BOOK VALUE							
As at 1 April 2014	28,441	6,518	6,567	9,419	1,378	2,171	54,494
As at 31 March 2015	36,036	7,496	69	9,128	1,766	2,509	57,004

Included above are assets acquired under finance leases with net book values as follows:

As at 1 April 2014	8,810	8,810
As at 31 March 2015	8,522	8,522

Depreciation charged for the year on assets purchased under finance leases totals £288,000 (2014: £296,000).

7 STOCK

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Consumable stocks	56	63	56	50

Consumable stocks comprise food, cleaning materials and medical supplies.

8 DEBTORS

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Amounts due from Group undertakings	-	-	14	153
Trade debtors	2,029	2,106	2,029	1,846
Other debtors	14	164	3	-
Pre-payments and accrued income	877	977	877	848
	2,920	3,247	2,923	2,847

The Long Term Debtor of £0 (2014: £2,423,000) in CLS relate to the leaseholds of the 8 Borough Care Services homes.

9 CREDITORS : Amounts falling due within one year:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Bank loan and overdrafts	1,846	22,735	1,846	22,676
Amounts due to Group undertakings	-	-	3,307	476
Trade creditors	820	1,317	805	595
Other taxation and Social Security payable	366	397	362	347
Other creditors	2,801	1,841	1,559	1,471
Accruals and deferred income	2,912	2,601	2,663	2,263
Residents' fund	1	17	1	17
Finance lease obligations	158	150	158	150
	8,904	29,058	10,701	27,995

The residents' funds relates to balances held in a separate residents' bank account, the balance of which is included within cash and bank.

See note 10 below for information about bank loans and overdrafts.

10 CREDITORS : Amounts falling due after more than one year:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Bank loan				
- due between one and two years	1,834	1,346	1,834	423
- due between two and five years	20,462	6,794	20,462	6,794
- due after more than five years	-	-	-	-
	22,296	8,140	22,296	7,217
Finance lease obligations				
- due between one and two years	166	158	166	158
- due between two and five years	550	523	550	523
- due after more than five years	9,105	9,192	9,105	9,192
	9,821	9,873	9,821	9,873
Other creditors	2,591	2,097	2,591	2,016
	34,708	20,110	34,708	19,106

The loans were secured on the value of 15 freeholds which are owned by CLS Care Services Limited and a floating debenture.

The refinance loan facilities have a term of 5 years from July 2014, with repayments calculated over a 20 year period. Interest rates are at 2.25% over LIBOR for the investment facility. A LIBOR interest rate swap at 1.538% has been arranged to cover 70% of the loan from January 2015 to July 2019.

The Belong Warrington loan facility has a term of 5 years from December 2012, with repayments calculated over a 20 year period, with an interest rate of 2.25% over LIBOR. A LIBOR interest rate swap at 1.11% has been arranged to cover 70% of the Belong Warrington loan from December 2013 to December 2017.

Other creditors represent obligations for apartments under a sale and repurchase agreement and retentions held in respect of Belong Warrington.

11 DEFERRED INCOME

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
As at 1 April	479	581	479	581
Received in the year	40	50	40	50
Transferred to income and expenditure account	(126)	(152)	(126)	(152)
As at 31 March	393	479	393	479

12 SHARE CAPITAL

	CLS	
	2015	2014
	£'s	£'s
Allotted, called up and fully paid ordinary shares of £1 each	24	24

13 MOVEMENT ON RESERVES

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
General Reserve				
As at 1 April	12,752	10,398	14,129	11,644
Income	38,604	35,216	32,346	28,661
Expenditure	(31,113)	(32,862)	(28,315)	(26,176)
Retained surplus for the year				
As at 31 March	20,243	12,752	18,160	14,129
Homes' and villages' designated funds				
As at 1 April	65	49	53	40
Funds generated during the year	47	69	42	54
Funds expended during the year	(63)	(53)	(47)	(41)
As at 31 March	49	65	48	53
Pension Reserve				
As at 1 April	(10,397)	(11,055)	(7,216)	(7,984)
Movement in the year	(177)	658	96	768
As at 31 March	(10,574)	(10,397)	(7,120)	(7,216)
Total reserves	9,718	2,420	11,088	6,966

The above movements represent the total movement of funds during the year.

14 GROSS CASH FLOWS

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Returns on investments and servicing of finance				
Interest received	19	11	11	8
Interest paid	(1,353)	(1,417)	(1,312)	(1,365)
	(1,334)	(1,406)	(1,301)	(1,357)
Capital Expenditure				
Payments to acquire tangible fixed assets	(4,843)	(10,913)	(4,834)	(10,707)
Receipts from sales of tangible fixed assets	8,336	-	1,931	-
	3,493	(10,913)	(2,903)	(10,707)
Financing				
Finance lease repayments	(44)	(20)	(44)	(20)
Bank loan repayments	(24,169)	(1,593)	(23,187)	(1,534)
New bank loans	17,434	6,696	17,434	6,696
	(6,779)	5,083	(5,797)	5,142

15 ANALYSIS OF CHANGES IN NET DEBT

GROUP	At 1 April 2014	Cash Flows	Other Changes	At 31 March 2015
	£000's	£000's	£000's	£000's
Cash in hand, at bank	2,732	2,502	-	5,234
Overdraft	(11)	(1)	-	(12)
	2,721	2,501	-	5,222
Loans	(24,169)	24,169	-	-
New Loans	(6,695)	(17,435)	-	(24,130)
Finance leases	(10,023)	44	-	(9,979)
Changes in debt	(40,887)	6,778	-	(34,109)
Changes in net debt	(38,166)	9,279	-	(28,887)

CLS	At 1 April 2014	Cash Flows	Other Changes	At 31 March 2015
	£000's	£000's	£000's	£000's
Cash in hand, at bank	1,948	2,079	-	4,027
Overdraft	(11)	(1)	-	(12)
	1,937	2,078	-	4,015
Loans	(23,187)	23,187	-	-
New Loans	(6,696)	(17,434)	-	(24,130)
Finance leases	(10,023)	44	-	(9,979)
Changes in debt	(39,906)	5,797	-	(34,109)
Changes in net debt	(37,969)	7,875	-	(30,094)

16 COMMITMENT TO CAPITAL EXPENDITURE

At the balance sheet date, the Society had the following commitments to Capital expenditure not provided for in these financial statements:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Contracted	343	3,503	343	3,598
Authorised but not contracted	24,846	21,948	25,312	22,443

17 FINANCIAL COMMITMENTS

At 31 March 2015 the Society had annual commitments under the following operating leases:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Expiring within one year	-	-	-	-
Expiring between one and two years	42	-	42	-
Expiring between two and five years	-	42	-	42
Expiring in over five years	-	-	-	-

18 EXCEPTIONAL ITEMS

The following one-off costs are included within expenditure for the year:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Exceptional costs:				
Village set up costs	148	38	148	38

19 CONTINGENT LIABILITIES

There is a dilapidations claim in the region of £115,000 arising from the closure of a home and the Board members feel that it is unlikely that the claim will succeed.

20 SUBSIDIARY UNDERTAKINGS

The Group financial statements include Borough Care Services Limited a wholly controlled subsidiary. The principal activity of the subsidiary charity is the provision of residential accommodation, care and services for the elderly. A second 100% subsidiary, Belong (Construction) Limited, was incorporated on 16 October 2006. The principal activity of Belong (Construction) Limited is to design and build care facilities for the holding company. There are also three wholly controlled subsidiaries, CLS (Wigan) Limited, Belong Limited and CLS Care Homes Limited, all of which are currently dormant.

21 POST BALANCE SHEET EVENT

On 21 April 2015, CLS Care Services Limited completed on the purchase of The Haven, a site next to an existing care home in Sandbach, for £150,000. The society is considering its options for the site.

On 4 June 2015, the Society completed the purchase of a site in Didsbury for £1,400,000 having obtained planning permission for the development of a Belong Village on the site. It is anticipated that the development will start on site in August 2015.

On 8 July 2015, the Society exchanged on a Forward Funding Agreement and an Agreement to Lease with MedicX Health (Thirty One) Limited for the development and lease of a care village in Southport. Completion is subject to planning. Total development costs are currently estimated to be £14,200,000.

22 PENSIONS

a. Defined Contribution Scheme

Employees who are not members of the Local Government Pension Scheme are eligible to be part of a stakeholder friendly defined contribution scheme or National Employment Savings Trust scheme. The assets of these schemes are held separately from those of the organisation in independently administered funds.

The amounts payable by the Society to the fund were:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Total paid to the funds	276	283	247	240
Contributions payable to the funds at the year end and included in creditors	21	26	21	21

b. Defined Benefit Schemes –
Cheshire Pension Fund and Greater Manchester Pension Fund

The Society is an "Admitted Body" to the Cheshire Pension Fund. A number of the Society's eligible employees are members of that scheme. The subsidiary company, Borough Care Services Limited, is an "Admitted Body" to the Greater Manchester Pension Fund. A number of the company's eligible employees are members of that scheme. The Cheshire Pension Fund and Greater Manchester Pension Fund are part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Funds are administered by Cheshire County Council and Tameside Metropolitan Borough respectively in accordance with the Local Government Pension Scheme Regulations 1997 as amended.

The Schemes are closed schemes and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Funds' assets and liabilities are assessed by the Funds' Independent Actuary every three years with the latest actuarial valuation taking place at 31 March 2013.

The amounts payable by the Society to the fund were:

	GROUP		CLS	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Total paid to the fund	710	655	522	470

The agreed employer's contribution rate for the Cheshire Pension fund for 2015/16 is 25.2% plus a deficit payment of £540,000. The agreed employer's contribution rate for the Greater Manchester Pension Fund for 2015/16 is 25.3% plus a deficit payment of £141,000.

The Group expects to make total contributions into the Funds of £791,000 during the next 12 months

CHESHIRE PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-15	31-Mar-14
	£000's	£000's
Fair value of employer assets	8,877	7,743
Present value of funded obligations	(15,997)	(14,959)
Net pension liability	**(7,120)**	**(7,216)**

The amounts recognised in the Income & Expenditure account are as follows:

	Year to	Year to
	31-Mar-15	31-Mar-14
	£000's	£000's
Current service cost	(49)	(51)
Employer contributions	522	470
Total gain included in operating surplus (A)	**473**	**419**
Expected Return on Employer Assets	452	370
Interest on Pension Scheme Liabilities	(600)	(682)
Net Return included within interest payable (B)	**(148)**	**(312)**
Total cost recognised in the I&E account (A) + (B)	**325**	**107**

Analysis of Actuarial Gain

	Year to	Year to
	31-Mar-15	31-Mar-14
	£000's	£000's
Actual return less expected return on pension scheme assets	851	58
Experience gains arising on scheme liabilities	178	683
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,258)	(80)
Actuarial (loss) / gain in pension plan	**(229)**	**661**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's
Opening defined benefit obligation	**14,959**	**15,463**
Current Service Cost	49	51
Interest cost	600	682
Contributions by members	11	14
Actuarial losses / (gains)	1,080	(603)
Estimated benefits paid	(702)	(648)
Closing defined benefit obligation	**15,997**	**14,959**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's
Opening fair value of employer assets	**7,743**	**7,479**
Expected return on assets	452	370
Contributions by members	11	14
Contributions by the employer	522	470
Actuarial gains	851	58
Benefits paid	(702)	(648)
Closing fair value of employer assets	**8,877**	**7,743**

The major categories of fund assets are as follows:

	Long Term Return 31-Mar-15 % per annum	Assets at 31-Mar-15 £000's	Long Term Return 31-Mar-14 % per annum	Assets at 31-Mar-14 £000's
Equities	5.7%	3,906	6.6%	5,729
Bonds	2.2%	4,172	3.5%	1,007
Property	3.9%	710	4.8%	542
Cash	2.6%	89	3.7%	465
Total		**8,877**		**7,743**

The principal assumptions at the balance sheet date:

	31-Mar-15 % per annum	31-Mar-14 % per annum
Inflation rate	2.1%	2.6%
Future salary increase rate	3.0%	2.8%
Future pension increase rate	2.1%	2.6%
Expected return on assets	3.1%	5.9%
Discount rate	3.1%	4.1%

Amounts for the current and previous four periods are as follows:

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's	Year to 31-Mar-13 £000's	Year to 31-Mar-12 £000's	Year to 31-Mar-11 £000's
Present value of the defined benefit obligation	(15,997)	(14,959)	(15,463)	(14,114)	(12,828)
Fair value of employer assets	8,877	7,743	7,479	6,736	6,624
Deficit	(7,120)	(7,216)	(7,984)	(7,378)	(6,204)
Experience gains / (losses) on assets	851	58	532	(218)	350
Experience gains / (losses) on liabilities	178	683	35	(270)	1,346

Amount recognised in the Statement of Total Recognised Gains and Losses

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's	Year to 31-Mar-13 £000's	Year to 31-Mar-12 £000's	Year to 31-Mar-11 £000's
Actuarial (losses) / gains	(229)	661	(736)	(1,363)	2,071
Cumulative actuarial (losses)	(2,293)	(2,064)	(2,725)	(1,989)	(626)

GREATER MANCHESTER PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-15	31-Mar-14
	£000's	£000's
Fair value of employer assets	7,258	6,745
Present value of funded obligations	(10,712)	(9,926)
Net pension liability	**(3,454)**	**(3,181)**

The amounts recognised in the Income & Expenditure account are as follows:

	Year to 31-Mar-15	Year to 31-Mar-14
	£000's	£000's
Current service cost	(68)	(67)
Employer contributions	188	185
Total gain included in operating surplus (A)	**120**	**118**
Expected Return on Employer Assets	390	331
Interest on Pension Scheme Liabilities	(399)	(428)
Net Return included within interest payable (B)	**(9)**	**(97)**
Total cost recognised in the I&E account (A) + (B)	**111**	**21**

Analysis of Actuarial Loss

	Year to 31-Mar-15	Year to 31-Mar-14
	£000's	£000's
Actual return less expected return on pension scheme assets	378	49
Changes in financial assumptions underlying the present value of the scheme liabilities	(762)	(180)
Actuarial loss in pension plan	**(384)**	**(131)**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-15	Year to 31-Mar-14
	£000's	£000's
Opening defined benefit obligation	**9,926**	**9,697**
Current Service Cost	68	67
Interest cost	399	428
Contributions by members	13	18
Actuarial losses	762	180
Estimated benefits paid	(456)	(464)
Closing defined benefit obligation	**10,712**	**9,926**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-15	Year to 31-Mar-14
	£000's	£000's
Opening fair value of employer assets	**6,745**	**6,626**
Expected return on assets	390	331
Contributions by members	13	18
Contributions by the employer	188	185
Actuarial gains	378	49
Benefits paid	(456)	(464)
Closing fair value of employer assets	**7,258**	**6,745**

The major categories of fund assets are as follows:

	Long Term Return 31-Mar-15 % per annum	Assets at 31-Mar-15 £000's	Long Term Return 31-Mar-14 % per annum	Assets at 31-Mar-14 £000's
Equities	5.7%	5,299	6.6%	4,856
Bonds	2.7%	1,234	3.8%	1,147
Property	3.9%	435	4.8%	405
Cash	2.6%	290	3.7%	337
Total		**7,258**		**6,745**

The principal assumptions at the balance sheet date:

	31-Mar-15 % per annum	31-Mar-14 % per annum
Inflation rate	2.1%	2.6%
Future salary increase rate	3.3%	3.0%
Future pension increase rate	2.1%	2.6%
Expected return on assets	3.1%	5.9%
Discount rate	3.1%	4.1%

Amounts for the current and previous four periods are as follows:

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's	Year to 31-Mar-13 £000's	Year to 31-Mar-12 £000's	Year to 31-Mar-11 £000's
Present value of the defined benefit obligation	(10,712)	(9,926)	(9,697)	(8,850)	(8,123)
Fair value of employer assets	7,258	6,745	6,626	5,990	6,118
Deficit	(3,454)	(3,181)	(3,071)	(2,860)	(2,005)
Experience gains / (losses) on assets	378	49	524	(310)	(282)
Experience gains / (losses) on liabilities	110	136	21	(624)	18

Amount recognised in the Statement of Total Recognised Gains and Losses

	Year to 31-Mar-15 £000's	Year to 31-Mar-14 £000's	Year to 31-Mar-13 £000's	Year to 31-Mar-12 £000's	Year to 31-Mar-11 £000's
Actuarial (losses) / gains	(384)	(131)	(246)	(934)	268
Cumulative actuarial (losses)	(2,390)	(2,006)	(1,875)	(1,629)	(695)

CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

CLS CARE SERVICES LIMITED

Registered Society Number 27346R

GROUP ANNUAL REPORT

AND

FINANCIAL STATEMENTS

For the Year Ended
31 March 2016

GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

CONTENTS

BOARD REPORT
YEAR ENDED 31 MARCH 2016

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure and Management

The Board members of CLS Care Services Limited (CLS) present their Annual Report for the year ended 31 March 2016 under the Co-operative and Communities Benefit Societies Act 2014, including the Board Report and the Strategic Report, together with the audited financial statements for the year. CLS is a Registered Society (Number 27346R) with charitable status. The governing document enables a Unitary Board structure and permits the remuneration of Non-Executive Board members. The Board may consist of up to 12 members, with no more than one third of Board members being Executive Board members. Non-Executive Board members are elected by members at the Annual General Meeting. The Board meets up to 12 times a year and the effectiveness of the Board is reviewed annually The Audit Committee of the Board meets 4 times a year and the Remuneration Committee meets at least one a year. The Board has accepted the recommendation of the Remuneration Committee that Non-Executive Board members' remuneration is paid at a level based on amounts paid by Registered Social Landlords. This remuneration policy and levels are reviewed by an external consultant every three years. Operational management is delegated to the Chief Executive and the Executive Board. The role and responsibilities of the Board and is set out in the document 'Your Guide to Being a Board Member'.

Recruitment, Selection and Induction of Board Members

The Society aims to reach as wide a pool of potential Board members as possible in order to achieve a Board that properly reflects the diversity of the population the organisation serves. The Board believes advertising publicly in local and where appropriate, national media is the preferred method. The recruitment and selection of Non-Executive Board members is delegated to a Sub-Committee of the Board who draws up a person specification based on the current skill mix and perceived future needs of the Board. Applicants are scored against these requirements in order to create a short list of applicants to be interviewed by a panel comprising usually of 3 Board members, including an Executive Board member, who report their recommendations to the Board. Care is taken in this process to ensure applicants are assessed in a fair and transparent way that tries to ensure applicants particularly those from diverse backgrounds are not disadvantaged by the process. All new Board members are provided with a programme of induction in order for them to learn about their role and how the Group is managed. The programme includes visits to the villages and care homes in the Group.

Statement of Board Responsibilities

The Board members are responsible for preparing the Strategic Report, the Board report and the financial statements in accordance with applicable law and regulations. In preparing those financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Society will continue in operation).

Insofar as each of the Board members of the Society, at the date of approval of this report, is aware there is no relevant audit information (information needed by the Society's auditors in connection with preparing the audit report) of which the Society's auditors are unaware. Each Board member has taken all of the steps that they should have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Board members have overall responsibility for ensuring that the Society has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-Operative and Communities Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence taking reasonable steps for the detection and prevention of fraud and other irregularities.

Key Management Remuneration
The key management personnel of the Society are the Executive Board members as noted on page 4. The remuneration of Executive Board members is set by the Remuneration sub-committee using benchmarks from the not-for-profit care industry and other charities. The total employee benefits of the key management personnel were £335,000 (2015: £418,000).

Employees
It is the policy of the Society to ensure that continued employment is offered to employees who become temporarily or permanently disabled. Furthermore, it is the policy of the Society to ensure that people with disabilities are treated fairly and that they are encouraged and supported to join, remain and progress within the Society, whilst recognising the special importance of health and safety in their employment. It is also the policy of the Society to keep employees informed on matters affecting their interests through normal management channels and due consideration is also given to their interests in the management decision making process.

OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

CLS Care Services Limited's objects are to carry on any charitable purpose for the benefit of the community and in particular to provide accommodation, care, support and associated facilities, amenities and services for persons who by reason of age, illness, disability (including physical, mental and/or learning disability), poverty or social and economic circumstances are in need thereof.

CLS aims to provide high quality, person centred care for older people. In furtherance of its objectives, the CLS Group provides quality care, accommodation and ancillary services to older people. In particular CLS supports people with dementia. The Group's goal is to create village communities enabling older people to live the lives they choose and to establish Belong as a beacon of light for our market providing top quality services through great people at competitive prices

The Belong villages provide a range of care, housing and support options for older people, as well as extensive amenities in the village centre including a bistro, hair salon, exercise studio and function rooms. Belong specialises in supporting people with dementia and 24-hour care is provided in extended family sized households, with modern open plan layouts specially designed around the needs of people with dementia and all employees working in Belong villages are trained in dementia awareness.

The Board members consider that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to Public Benefit guidance published by the Commission, including the guidance on Public Benefit and Fee Charging. Fees and rents are set at a level to cover costs and meet bank covenants. Any surpluses are reinvested to subsidise improved services for older people. Care fees are benchmarked against the Joseph Rowntree Foundation published figures for the efficient cost of care. Access to people in poverty is provided by making facilities available to residents funded by their local authority or Clinical Commissioning Groups at subsidised rates. This is assisted by negotiations with Local Authorities and Clinical Commissioning Groups to ensure their contributions to residents' fees provide full cost recovery and by supporting residents to claim all benefits to which they are entitled.

STRATEGIC REPORT

Achievements and Performance
During the year Belong was a finalist for Excellence in Dementia Care at the Laing & Buisson Awards 2015. Belong Warrington won Best Inclusive Building at the North West LABC Delivering Excellence Awards.

The key objectives for the Group for 2015/16 were:

- to start on site with the developments of Belong Villages in Chester and Didsbury;
- to obtain planning permission of Belong Villages in Southport and Newcastle-under-Lyme;
- to purchase the freeholds of the Cheshire East leasehold homes;
- continued high occupancy; and
- reduced agency costs.

Belong Warrington, which was completed in August July 2014, was fully occupied by the year end. Belong Villages now offer 351 household bedrooms and 128 apartments. The development of Belong Morris Feinmann in Didsbury to meet the needs of the Manchester Jewish Community started on site in August 2015.

The planning application for the sixth Belong village development in Newcastle-under-Lyme was approved in September 2015, with a start on site planned for June 2016. The Heritage Lottery Fund has approved a grant of £1.8m towards the development of a Belong Heritage Gallery as part of this village. Belong Chester planning application was resubmitted in June 2016 after consultation with the Cheshire West Design Review panel. Planning permission was submitted for Belong Birkdale, a village in Southport, which was refused. An appeal is being considered.

The freehold purchase of the five Cheshire East leasehold homes was completed in September 2015.

The organisation is also a registered domiciliary care provider and can support people in their own home, through its Belong at Home service. During 2015/16, Belong at Home provided about 44,400 hours of support (2014/15: 32,500), the number of customers has increased to 147 people by the year end (2015: 130 people), with turnover increasing to £755,000 (2015: £561,000).

Experience days have been developed at the Belong Villages to offer an alternative to day care providing an opportunity for older people get involved in the Belong community and enjoy some of the activities that we offer. During 2015/16 this produced £187,000 of income (2014/15: £132,000) and almost 3,500 days provided over the year.

The key objectives for 2016/17 are:

- To maintain occupancy at the 2015/16 level;
- To reduce expenditure on agency staff;
- To start on site at Belong Newcastle-under-Lyme ;
- To obtain planning permission and funding for the development of Belong Chester and start on site there.

Financial Review 2015/16

The Financial statements have now been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) which was effective from 1 January 2015, including the Charities Statement of Recommended Practice applicable to charities preparing accounts in accordance with FRS102. The 2014/15 figures have been restated in accordance with the new standards and a reconciliation of reserves and the 2015 surplus is included in note 1(b). A loss on the fair value of financial instruments of £89,000 (2015 as restated: £243,000) relating to interest rate swaps has been recognised in accordance with FRS102.

The Group has achieved net income for the year of £2.9m (2015: restated net income of £7.3m) with £5.6m of the 2015 surplus relating to the surplus on the sale of the eight Wigan homes.

Occupancy reduced from 96.4% in 2014/15 to 95% in 2015/16 with occupancy in the established Belong villages at 97.6%. The proportion of self-funding residents increased from 49% to 52.5%, with the resulting increase in average resident fees from £588 to £661 per week offsetting the slight drop in occupancy. Agency costs increased to £926,000 (2015: £577,000) with difficulties experienced in recruiting nurses and night staff in particular, with continued pressures due to the increase in the national living wage and increased wages from local competition for staff in the retail sector.

The net income for the year and the actuarial gains in the Local Government Pension schemes of £1.5m for the Group (2015: £356,000 loss) have increased the Group reserves to a surplus of £14.3m (2015 as restated: £9.9m). The Group pension deficits reduced to £8.7m (2015: £10.6m) and the employer's contribution to the Local Government Pension Schemes is currently set at levels to achieve a funding level of 100% over a 20 year period.

Principal Risks and Uncertainties

CLS has undertaken a review of its business processes and attempted to identify the major business risks to which it is exposed. It is satisfied that systems and strategies are in place to mitigate these risks. Identification and review of business risks remains an on-going management process. The key risks and uncertainties facing the Group are:

- The volatility of the pension deficit;
- a dependency on local authority funded residents in CLS homes;
- property maintenance overspends, particularly in the CLS homes;
- Increases in costs rising at a rate higher than potential fee increases;
- Increases in development costs;
- Reduced occupancy.

Reserves Policy
The total Group charitable reserves held as at 31 March 2016 were £14.35m (2015 as restated: £9.9m). This includes £248,000 (2015: as restated: £193,000) of Restricted funds in relation to the Community Fee reserves and £40,000 of Designated reserves relating to funds raised for the benefit of residents at our homes and villages.

In line with the organisation's strategy to create village communities enabling older people to live the lives they choose, CLS aims for unrestricted funds to be held mainly as fixed assets for charitable use. Similarly, the Treasury Management policy aims for cash available for the longer term to be used primarily to fund investments in future Belong villages as approved by the Board.

In setting the annual budget, the Board ensures that there is sufficient working capital to support operations, sufficient borrowings to fund development plans and that bank covenants are met. The financial impact of the key risk areas is considered as part of the budgetary and risk management processes. Financial forecasting covering cash-flow, earnings and debt levels is prepared which demonstrates that the organisation has sufficient cash and borrowings to deliver its strategy and cover anticipated risks.

CLS recognises its major source of income is from care home fees and is, therefore, vulnerable to an unforeseen decline in occupancy. In addition, CLS acknowledges the significant risk attached to the local government pension deficits. The pension deficits, as valued on an on-going basis, are currently being repaid over a 20 year period and these repayments are included in the annual budget and are covered from existing income. Since the schemes are closed to new members, with only 9 current employees across the two schemes, there is a risk that the pension deficit payment will be triggered. In these circumstances the deficits will be valued on a cessation basis rather than the FRS102 basis at an estimated additional cost of £8.4m.

CLS's policy is, therefore, for unrestricted funds to be sufficient to cover a year of operations with a reduced income, taking account of the likely financial impact of other key risks during this period, including the repayment of the pension deficit on a cessation basis. Taking this into account, the target level of unrestricted funds should be around £16.4m. Currently unrestricted reserves, excluding designated reserves, are £14.06m. The shortfall of £2.3m will be covered from anticipated surpluses in 2016/17.

Plans for Future Periods
The Group's strategy is to create village communities enabling older people to live the lives they choose by providing top quality services by great people at competitive prices. The continued development of Belong villages aims to fulfil this strategy over the next 5 years and helps to mitigate the principal risks and uncertainties above. A strategic review of the CLS homes is under consideration which will take into account the anticipated increases in the national living wage over the next 5 years.

AUDITORS

The incumbent auditors, Crowe Clark Whitehill LLP, have expressed their willingness to continue in office and a resolution to reappointment them will be proposed at the Annual General Meeting.

My thanks go to all staff for their commitment and achievements and to the Board for their dedication, enthusiasm and hard work.

This Annual Report was approved by the Board Members on 20 July 2016, including approving the Strategic Report contained therein and is signed as authorised on its behalf by

Roger Hoyle
Chair

20 July 2016

A SUMMARY OF INFORMATION

1 The Board Members

Non-Executives

Roger Hoyle TD, BA(Law), DipHSM, VR	Chair
Nicola Brooks BA Hons, FCIPD	Vice Chair
Robert Armstrong BSc (Open)	
Kate Baldwin BA Hons, PG Dip (Law), PG Dip (LP)	
Gillian Boston DIPSW, BA (Hons), MA - Retired 16 September 2015	
Andrea Campbell MA - Appointed 16 September 2015	
Mike Cooney BA, MBA, DMS, CQSW	
John Roddy ACIB	
Clive Unitt FCA	

Executives

Nick Dykes BA Hons, MBA	Chief Executive
Tracey Stakes BSc, FCA, DipChA, MBA	Finance Director and Secretary
Tracy Paine RGN, MA, MSc	Operations Director

2 Bankers

Royal Bank of Scotland
2nd Floor
41 Cornmarket
Derby
DE1 2DH

3 Statutory Auditor

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

4 Principal Solicitors

Trowers and Hamlin
Sceptre Court
40 Tower Hill
London
EC3N 4DX

5 Registered Office

Pepper House
Market Street
Nantwich
Cheshire
CW5 5DQ

Telephone:	01270 610666
Fax:	01270 628127
Websites:	clsgroup.org.uk
	belong.org.uk

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLS CARE SERVICES LIMITED

We have audited the Group and parent society financial statements of CLS Care Services Limited (the "Society") for the year ended 31 March 2016 (the "financial statements") which comprises the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. 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 Society's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS AND AUDITORS

As more fully explained in the Statement of Board Responsibilities set out on page 1, the Society's Board members are responsible for the preparation of financial statements which 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board members; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Society and Group as at 31 March 2016 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and

- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following.

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the information contained in the Board Report is inconsistent in any material respect with the financial statements; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

20 July 2016

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

	Note	Unrestricted Funds £'000's	Restricted Funds £'000's	Total Funds 2016 £'000's	Total Funds 2015 Restated £'000's
Income:					
Donations	2	15	-	15	37
Charitable activities	3	32,378	560	32,938	33,463
Other trading activities	4	66	-	66	22
Investment income	5	11	-	11	19
Other income	6	3	-	3	5,638
Total		**32,473**	**560**	**33,033**	**39,179**
Expenditure:					
Raising funds	7	8	-	8	6
Charitable activities	8	29,501	505	30,006	31,604
Losses on change in fair value of financial instruments		89	-	89	243
Total		**29,598**	**505**	**30,103**	**31,853**
Net income		**2,875**	**55**	**2,930**	**7,326**
Other recognised gains / (losses):					
Actuarial gains / (losses) on defined benefit pension schemes		1,536	-	1,536	(356)
Net movement in funds		**4,411**	**55**	**4,466**	**6,970**
Reconciliation of funds:					
Total funds brought forward		9,686	193	9,879	2,909
Total funds carried forward		**14,097**	**248**	**14,345**	**9,879**

All of the above transactions relate to continuing operations.

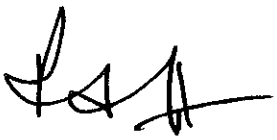
The notes on pages 11 to 29 form part of the financial statements.

BALANCE SHEET
AS AT 31 MARCH 2016

	Note	GROUP 2016 £'000's	GROUP 2015 Restated £'000's	CLS 2016 £'000's	CLS 2015 Restated £'000's
Fixed Assets					
Tangible assets	12	59,746	56,087	60,688	57,004
Current Assets					
Stocks	13	60	56	60	56
Debtors	14	3,656	2,920	3,656	2,923
Cash at bank and in hand		5,391	5,234	4,381	4,027
		9,107	**8,210**	**8,097**	**7,006**
Creditors: amounts falling due within one year	15	(12,725)	(11,728)	(14,582)	(13,525)
Net Current (Liabilities)		**(3,618)**	**(3,518)**	**(6,485)**	**(6,519)**
Total Assets Less Current Liabilities		**56,128**	**52,569**	**54,203**	**50,485**
Creditors: Amounts falling due after more than one year	16	(33,085)	(32,116)	(33,085)	(32,116)
Net assets excluding pension liabilities		**23,043**	**20,453**	**21,118**	**18,369**
Defined benefit pension scheme liabilities	31	(8,698)	(10,574)	(5,611)	(7,120)
Net assets including pension liabilities	20	**14,345**	**9,879**	**15,507**	**11,249**
Financed by:					
Unrestricted reserves	19	14,097	9,686	15,259	11,056
Restricted reserves	19	248	193	248	193
		14,345	**9,879**	**15,507**	**11,249**

The notes on pages 11 to 29 form part of these financial statements.

The financial statements were approved by the Board on 20 July 2016 and are signed on its behalf by:



Roger Hoyle
Chair

Nicola Brooks
Vice Chair

Tracey Stakes
Secretary

CONSLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	GROUP 2016 £'000's	GROUP 2015 Restated £'000's
Cash flows from operating activities			
Net cash provided by operating activities	23	7,070	7,122
Cash flows from investing activities			
Net cash provided by (used in) investing activities	21	(7,451)	2,159
Cash flows from financing activities			
Net cash provided by (used in) financing activities	21	538	(6,779)
Change in cash and cash equivalents in the reporting period		**157**	**2,502**
Cash and cash equivalents at the beginning of the reporting period		**5,234**	**2,732**
Cash and cash equivalents at the end of the reporting period		**5,391**	**5,234**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1 ACCOUNTING POLICIES

(a) Basis of preparation of the Financial Statements

The financial statements have been prepared in accordance with the 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) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. Early adoption of the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) has been applied.

CLS Care Services Limited 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 note(s).

(b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise unconditional grant income without deferment, an increase in income together with a corresponding reduction in deferred income has been recognised. The initial adjustment at transition amounted to £326,000. The adjustment to the comparative figure at 31 March 2015 is £201,000 as £125,000 had previously been transferred in the year to income.

The organisation holds two interest rate swaps and has chosen not to adopt 'hedge accounting' in recording these financial instruments in the company accounts. At the date of transition an asset in the amount of £10,000 has been recognised with a loss in fair value of the two swaps amounting to £243,000 being recognised in the year to 31 March 2015. A liability of £233,000 has been included in the comparative figure at 31 March 2015. Community Fee income received in advance of expenditure to which it relates has been reclassified from deferred income to a restricted reserve. In accordance with the requirements of FRS 102 and the Charities SORP FRS 102 a reconciliation of opening balances and previously reported surpluses for the year to 31 March 2015 is provided.

Under previous UK GAAP the group recognised an expected return on defined benefit plan assets within Charitable expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in Charitable expenditure. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to increase the debit to Charitable expenditure by £257,000 and decrease the debit in other recognised gains and losses in the SOFA by an equivalent amount.

Reconciliation of Reserves	**GROUP**		**CLS**	
	01/04/2014	**31/03/2015**	**01/04/2014**	**31/03/2015**
	£000's	**£000's**	**£000's**	**£000's**
Reserves as previously stated	2,420	9,718	6,966	11,088
Gain / (Loss) in fair value of derivatives	10	(233)	10	(233)
Grant recognition	326	201	326	201
Community Fee	153	193	153	193
Reserves as restated	2,909	9,879	7,455	11,249

Reconciliation of 2015 surplus for the period

	GROUP £000's
2015 Surplus as previously stated	7,298
(Loss) in fair value of derivatives	(243)
Grant recognition	(125)
Community Fee	40
2015 Surplus as restated	**6,970**

(c) Going Concern

After reviewing the group's forecasts and projections, the board members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group continues to adopt the going concern basis in preparing its consolidated financial statements.

(d) Basis of Consolidation

The Group financial statements incorporate the audited financial statements of CLS and all of its subsidiary undertakings.

(e) Critical accounting judgements and estimation uncertainty

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme (note 30)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(f) Income

Income is recognised when the organisation has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Income is classified under the following headings within the SOFA:

- Donations include the monies donated and any associated gift aid.
- Charitable activities relate to those activities undertaken for the charitable purposes of the organisation. Activities are categorised as 'Care Services provided in Homes and Villages', 'Apartment income', 'Care Services provided in customers homes' and 'Ancillary services' which consists of activity in the Villages Bistro, Salon, Gym, Venue and Laundry.
- Other trading activities include monies raised through fundraising events.
- Investment income consists of interest received for monies held on deposit.
- Other income consists of income not applicable to any other heading.

(g) Fund accounting

Unrestricted funds are available to spend on activities that further the purposes of the organisation. Designated funds are unrestricted funds that which the organisation has decided at their discretion to set aside to use for a specific purpose. Restricted community fee reserve relates to monies received in advance of maintenance and major repairs to Apartment buildings.

(h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Cost of raising funds comprises the costs of fundraising events held in the Homes and Villages. This includes an element of staff time in addition to goods and services.
- Expenditure on charitable activities includes the costs incurred in relation to the charitable activities of the organisation.
- Other expenditure represents those items of expenditure not being applicable to any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(i) Fixed Assets

Equipment

All items with an individual value in excess of £250 and a useful life of at least 3 years are capitalised.

Works to Existing Homes and Villages

The Society capitalises expenditure incurred on the homes and villages which increases their net income stream. An increase in the income stream may arise through increased revenue, a reduction in future maintenance costs or a significant extension of the life of the home.

(j) Depreciation

Depreciation is charged to write-off the cost of fixed assets over their useful working lives and is calculated on a straight line basis over the periods set out below:

Freehold Property	50 years
Leasehold Property	over the life of the lease
Leasehold Improvements	shorter of the life of the lease or 5 to 20 years
Furniture, Fittings and Fixtures	5 to 10 years
Computers, Plant and Equipment	3 to 10 years

Land and assets in the course of construction are not depreciated.

(k) Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the financial statements.

(l) Leases

Operating

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account on a straight line basis over the life of the lease term.

Finance
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income and expenditure account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

(m) Stocks
The value of stocks is stated at the lower of cost and net realisable value.

(n) Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the SOFA.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the SOFA.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the SOFA, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(o) Pension Costs

The Society operates defined contribution and defined benefit pension schemes for employees.

The costs of the defined benefit contribution arrangements are charged to the SOFA as incurred.

The defined benefit arrangements represent two funded schemes where the assets are held separately from those of the Society in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the SOFA are the current service costs and the costs of scheme benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the SOFA and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses

(p) Corporation Tax

The Society has been granted exemption from Corporation Tax under the Income and Corporation Taxes Act 2007.

2 INCOME FROM DONATIONS

	GROUP	
	2016	**2015 Restated**
	£'000's	**£'000's**
Donations	15	37

3 INCOME FROM CHARITABLE ACTIVITIES

	GROUP	
	2016	**2015**
	£'000's	**£'000's**
Care services provided in Homes and Villages	30,115	30,975
Apartment income	1,385	1,269
Ancilliary services	683	658
Care services provided in customer homes	755	561
	32,938	33,463

4 INCOME FROM OTHER TRADING ACTIVITIES

	GROUP	
	2016	**2015**
	£'000's	**£'000's**
Fundraising	66	22

5 INVESTMENT INCOME

	GROUP	
	2016	2015
	£'000's	£'000's
Interest	11	19

6 OTHER INCOME

	GROUP	
	2016	2015
	£'000's	£'000's
Profit on disposal of Fixed Assets	3	5,638

7 ANALYSIS OF EXPENDITURE ON RAISING FUNDS

	GROUP	
	2016	2015
	£'000's	£'000's
Fundraising costs	8	6

8 SUMMARY ANALYSIS OF EXPENDITURE AND RELATED INCOME FROM CHARITABLE ACTIVITIES

	Care provided in Homes and Villages £'000's	Apartment income £'000's	Ancilliary services £'000's	Care provided in customer homes £'000's	2016 £'000's	2015 £'000's
Income	30,115	1,385	683	755	32,938	33,463
Expenditure:						
Depreciation	(2,139)	(312)	(60)	(2)	(2,513)	(2,481)
Interest Payable (note 11)	(1,312)	(242)	(47)	(9)	(1,610)	(1,767)
Support and Governance (note 9)	(2,212)	(97)	(47)	(56)	(2,412)	(2,483)
Activities undertaken directly	(21,510)	(555)	(715)	(691)	(23,471)	(24,873)
	(27,173)	(1,206)	(869)	(758)	(30,006)	(31,604)
Net surplus / (loss)	2,942	179	(186)	(3)	2,932	1,859

9 ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

	2016	2015
	£'000's	£'000's
Support staff costs	1,560	1,638
Depreciation	-	-
Premises costs	243	218
Other support costs	299	338
Governance costs	310	289
	2,412	2,483

Support and Governance costs are apportioned to charitable activities in proportion to income earned from those activities.

10 STAFF COSTS, DIRECTOR REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

	GROUP	
	2016	**2015**
	£'000's	**£'000's**
Wages and salaries	16,620	16,930
National Insurance costs	836	826
Other pension costs		
Paid to defined contribution schemes	310	276
Defined benefit costs	400	274
	18,166	18,306

The average number of staff employed by the Group during the year was 1,657 (2015:1,601). These were made up of 1,049 Care Staff, 146 Administration Staff and 462 Domestic and Other Staff.

Staff paid in excess of £60,000 per annum are summarised as follows:

	Number of employees as at 31 March 2016
£60,001 - £70,000	-
£70,001 - £80,000	-
£80,001 - £90,000	-
£90,001 - £100,000	2
£100,001 - £110,000	1
	3

The governing document of the organisation provides for remuneration and expenses to be paid to Non-Executive Directors

All 8 Non-Executive Directors are paid a remuneration by the Society in addition to the reimbursement of travelling and other necessary expenses of £4,000 (2015: £3,000). The Chair of the Board receives remuneration of £12,000 per annum, Vice Chair £7,000 per annum, Chair of the Audit Subcommittee £6,000 and all remaining Non-Executive Directors receive £5,000 per annum.

The key management personnel of the group comprise the Executive Directors (the Chief Executive, Finance Director and Operations Director). The total employee benefits of the key management personnel were £335,000 (2015: £418,000)

11 INTEREST PAYABLE

	GROUP	
	2016	**2015 Restated**
	£'000's	**£'000's**
Interest payable in respect of:-		
Bank loan and overdraft	839	853
Net interest on pension scheme liabilities	317	414
Finance charges payable under finance leases	454	500
	1,610	1,767

12 FIXED ASSETS

Group

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2015	40,181	7,448	67	12,768	3,154	4,219	67,837
Additions during the year	1,562	1,643	1,965	46	335	621	6,172
Reclassification	3,860	-	-	(3,860)	-	-	-
Disposals during the year	(30)	-	-	-	(159)	(400)	(589)
As at 31 March 2016	45,573	9,091	2,032	8,954	3,330	4,440	73,420
DEPRECIATION							
As at 1 April 2015	5,012	-	-	3,640	1,388	1,710	11,750
Charge for the year	1,116	-	-	355	489	553	2,513
Reclassification	1,576	-	-	(1,576)	-	-	-
Eliminated on disposals	(30)	-	-	-	(159)	(400)	(589)
As at 31 March 2016	7,674	-	-	2,419	1,718	1,863	13,674
NET BOOK VALUE							
As at 1 April 2015	35,169	7,448	67	9,128	1,766	2,509	56,087
As at 31 March 2016	37,899	9,091	2,032	6,535	1,612	2,577	59,746

Depreciation charged for the year on assets purchased under finance leases totals £273,000 (2015: £288,000).

CLS

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2015	42,265	7,496	69	12,768	3,154	4,220	69,972
Additions during the year	1,563	1,650	2,001	46	335	621	6,216
Reclassification	3,860			(3,860)			-
Disposals during the year	(30)	-	-	-	(159)	(400)	(589)
As at 31 March 2016	47,658	9,146	2,070	8,954	3,330	4,441	75,599
DEPRECIATION							
As at 1 April 2015	6,229	-	-	3,640	1,388	1,711	12,968
Charge for the year	1,135	-	-	355	489	553	2,532
Reclassification	1,576			(1,576)			-
Eliminated on disposals	(30)	-	-	-	(159)	(400)	(589)
As at 31 March 2016	8,910	-	-	2,419	1,718	1,864	14,911
NET BOOK VALUE							
As at 1 April 2015	36,036	7,496	69	9,128	1,766	2,509	57,004
As at 31 March 2016	38,748	9,146	2,070	6,535	1,612	2,577	60,688

Depreciation charged for the year on assets purchased under finance leases totals £273,000 (2015: £288,000).

13 STOCK

	GROUP		CLS	
	2016	2015	2016	2015
	£'000's	£'000's	£'000's	£'000's
Consumable stocks	60	56	60	56

Consumable stocks comprise food, cleaning materials and medical supplies.

14 DEBTORS

	GROUP		CLS	
	2016	2015	2016	2015
	£'000's	£'000's	£'000's	£'000's
Amounts due from Group undertakings	-	-	7	14
Trade debtors	2,626	2,029	2,626	2,029
Other debtors	7	14	-	3
Pre-payments and accrued income	1,023	877	1,023	877
	3,656	2,920	3,656	2,923

Trade debtors are stated after provisions for impairment of £55,000 (2015: £1,343,000)

15 CREDITORS : Amounts falling due within one year:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Bank loan and overdrafts	1,415	1,846	1,415	1,846
Amounts due to Group undertakings	-	-	3,202	3,307
Trade creditors	758	820	741	805
Other taxation and Social Security payable	425	366	422	362
Other creditors	6,648	5,392	5,345	4,150
Accruals and deferred income	2,989	2,912	2,967	2,663
Derivative financial instruments	322	233	322	233
Residents' fund	1	1	1	1
Finance lease obligations	167	158	167	158
	12,725	11,728	14,582	13,525

The residents' funds relates to balances held in a separate residents' bank account, the balance of which is included within cash and bank.

Other creditors include obligations for apartments under a sale and repurchase agreement and retentions held in respect of Belong Warrington.

Derivative financial instruments comprise the fair value of the two swaps held by the organisation. See note 16 below for information about bank loans and overdrafts.

16 CREDITORS : Amounts falling due after more than one year:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Bank loan				
- due between one and two years	7,873	1,834	7,873	1,834
- due between two and five years	17,335	20,462	17,335	20,462
- due after more than five years	-	-	-	-
	25,208	22,296	25,208	22,296
Finance lease obligations				
- due between one and two years	175	166	175	166
- due between two and five years	581	550	581	550
- due after more than five years	7,121	9,104	7,121	9,104
	7,877	9,820	7,877	9,820
	33,085	32,116	33,085	32,116

The loans were secured on the value of 20 freeholds which are owned by CLS Care Services Limited and a floating debenture.

The refinance loan facilities have a term of 5 years from July 2014, with repayments calculated over a 20 year period. Interest rates are at 2.25% over LIBOR for the investment facility.

The Belong Warrington loan facility has a term of 5 years from December 2012, with repayments calculated over a 20 year period, with an interest rate of 2.25% over LIBOR.

The Cheshire East Freehold loan facility has a term of 5 years from September 2015, with repayments calculated over a 20 year period, with an interest rate of 2.25% over LIBOR.

The Belong Morris Feinmann loan facility has a term of 5 years from October 2015, with repayments calculated over a 20 year period, with an interest rate of 2.75% over LIBOR up to the date of practical completion of the development. The interest will be charged at a rate of 2.25% over LIBOR from this date to the end of the agreement.

A LIBOR interest rate swap at 1.538% has been arranged to cover 70% of the loan from January 2015 to July 2019. A LIBOR interest rate swap at 1.11% has been arranged to cover 70% of the Belong Warrington loan from December 2013 to December 2017.

17 FINANCIAL INSTRUMENTS

Financial assets measured at amortised cost:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Amounts due from Group undertakings	-	-	7	14
Trade debtors	2,626	2,029	2,626	2,029
Other debtors	7	14	-	3
	2,633	2,043	2,633	2,046

Financial liabilities measured at fair value:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Derivative financial instruments	322	233	322	233

Financial liabilities measured at amortised cost:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Bank loans	26,601	24,130	26,601	24,130
Amounts due to Group undertakings	-	-	3,202	3,307
Trade creditors	758	820	741	805
Other creditors	6,648	5,392	5,345	4,150
Accruals and deferred income	2,989	2,912	2,967	2,663
Residents' fund	1	1	1	1
Finance lease obligations	8,044	9,978	8,044	9,978
	45,041	43,233	46,901	45,034

18 SHARE CAPITAL

	GROUP		CLS	
	2016	2015	2016	2015
	£'s	£'s	£'s	£'s
Allotted, called up and fully paid ordinary shares	25	24	25	24

19 CHARITABLE RESERVES

Group

	Balance 1 April 2015 Restated	Incoming resources	Resources expended	Gains	Balance 31 March 2016
	£'000's	£'000's	£'000's	£'000's	£'000's
General reserve	9,637	32,402	(29,518)	1,536	14,057
Designated homes' and villages' reserve	49	71	(80)	-	40
	9,686	32,473	(29,598)	1,536	14,097
Restricted community fee reserve	193	560	(505)	-	248
Total	**9,879**	**33,033**	**(30,103)**	**1,536**	**14,345**

CLS

	Balance 1 April 2015 Restated	Incoming resources	Resources expended	Gains	Balance 31 March 2016
	£'000's	£'000's	£'000's	£'000's	£'000's
General reserve	11,008	32,406	(29,392)	1,197	15,219
Designated homes' and villages' reserve	48	71	(79)	-	40
	11,056	32,477	(29,471)	1,197	15,259
Restricted community fee reserve	193	560	(505)	-	248
Total	**11,249**	**33,037**	**(29,976)**	**1,197**	**15,507**

General fund is the 'free reserves' after allowing for all restricted and designated funds.

Restricted community fee reserve are monies received in advance of expenditure on maintenance and major repairs of apartment buildings.

Designated homes' and villages funds are monies donated and fundraised for the benefit of the residents.

20 ANALYSIS OF NET ASSETS BETWEEN RESERVES

Reserve balances at 31 March 2016 are represented by:

	Unrestricted general reserve £'000's	Unrestricted designated home and village £'000's	Restricted community fee reserve £'000's	Total reserves £'000's
Tangible fixed assets	59,746	-	-	59,746
Current assets	8,819	40	248	9,107
Current liabilities	(12,725)	-	-	(12,725)
Non-current liabilities	(33,085)	-	-	(33,085)
Pension scheme liability	(8,698)	-	-	(8,698)
Total net assets	**14,057**	**40**	**248**	**14,345**

21 GROSS CASH FLOWS

	GROUP 2016 £'000's	GROUP 2015 Restated £'000's
Cash flows from investing activities		
Interest received	11	19
Bank loan and overdraft interest paid	(839)	(853)
Finance charges payable under finance leases	(454)	(500)
Payments to acquire tangible fixed assets	(6,172)	(4,843)
Receipts from sales of tangible fixed assets	3	8,336
	(7,451)	2,159
Cash flows from financing activities		
Finance lease repayments	(1,934)	(44)
Repyaments of borrowing	(1,317)	(24,169)
Cash inflows from new borrowing	3,789	17,434
	538	(6,779)

22 ANALYSIS OF CHANGES IN NET DEBT

Group

	At 1 April 2015 Restated £000's	Cash Flows £000's	Other Changes £000's	At 31 March 2016 £000's
Cash in hand, at bank	5,234	32	-	5,391
Overdraft	(12)	(10)	-	(22)
	5,222	22	-	5,369
Loans	(24,130)	1,242	-	(22,888)
New Loans	-	(3,714)	-	(3,714)
Finance leases	(9,979)	1,934	-	(8,045)
Changes in debt	(34,109)	(538)	-	(34,647)
Changes in net debt	(28,887)	(516)	-	(29,278)

23 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASHFLOW FROM OPERATING ACTIVITIES

	GROUP	
	2016	2015 Restated
	£'000's	£'000's
Net movement in funds	4,466	6,970
Pension costs	(656)	(593)
Depreciation	2,513	2,481
(Gain) / Loss on defined benefit pension schemes	(1,536)	356
(Surplus) on disposal of fixed assets	(3)	(5,638)
Interest receivable	(11)	(19)
Interest payable	1,610	1,767
Losses on change in fair value of financial instruments	89	243
Increase/(Decrease) in bad debt provision	(1,290)	285
Decrease/(Increase) in stock	(4)	7
(Increase)/Decrease in debtors	554	42
Increase/(Decrease) in creditors	1,338	1,221
Net cash provided by operating activities	7,070	7,122

24 COMMITMENT TO CAPITAL EXPENDITURE

At the balance sheet date, the Society had the following commitments to Capital expenditure not provided for in these financial statements:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Contracted	7,397	343	7,641	343
Authorised but not contracted	20,136	24,846	20,415	25,312

25 OPERATING LEASES

At 31 March 2016 the total Group and Society's future minimum lease payments under non-cancellable operating leases were:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Amounts due within one year	25	42	25	42
Amounts due between one and five years	-	25	-	25
Amounts due after five years	-	-	-	-

26 RELATED PARTY TRANSACTIONS

The CLS Life Assurance Scheme is open to all permanent employees between the ages of 16 and 70 and not members of the Local Government Superannuation Scheme. CLS Care Services Limited are a Corporate Trustee of the scheme. CLS Care Services Limited appoint 2 Non-Executive Directors and 3 Executive Directors as representatives of the Corporate Trustee.

There was 1 transaction in the year (2015: 1) for an amount of £13,000 (2015: £15,000). At the year end £13,000 was still outstanding (2015: £Nil) and is included within creditors to be paid within one year.

27 EXCEPTIONAL ITEMS

The following one-off costs are included within expenditure for the year:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Exceptional costs:				
Village set up costs	-	148	-	148

28 CONTINGENT LIABILITIES

There is a dilapidations claim in the region of £115,000 arising from the closure of a home and the Board members feel that it is unlikely that the claim will succeed.

29 SUBSIDIARY UNDERTAKINGS

The Group financial statements include Borough Care Services Limited a wholly controlled subsidiary incorporated in the United Kingdom (company number 02603702). The principal activity of the subsidiary charity is the provision of residential accommodation, care and services for the elderly. A second 100% subsidiary, Belong (Construction) Limited, was incorporated on 16 October 2006 in the United Kingdom (company number 05968656). The principal activity of Belong (Construction) Limited is to design and build care facilities for the holding company. There are also three wholly controlled subsidiaries, CLS (Wigan) Limited, Belong Limited and CLS Care Homes Limited, all of which are currently dormant.

30 POST BALANCE SHEET EVENT

On 20 June 2016, CLS entered into the following agreements to enable the development of Belong Newcastle-Under-Lyme, including the Belong Heritage Gallery to take place.

- An agreement to a 40 year lease for the care home part of the site on practical completion of the development which is estimated to be in November 2017;
- 999 year leases for the Apartment site and the Heritage Gallery site for a premium of £210,000 and £192,000 respectively;
- Three development agreements for each part of the site with Prime Care Home Redevelopments Limited (Prime). Prime will fund the development of the care home site and £450,000 towards the development of the Heritage Gallery. CLS is to fund £4.05m towards the development of the apartments and £1.4m towards the development of the Heritage Gallery

A Heritage Lottery Grant of £1.8m has been obtained to fund the renovation of the existing listed building on the site and activities towards the conversion of the building into the Belong Heritage Gallery.

31 PENSIONS

a. Defined Contribution Scheme

Employees who are not members of the Local Government Pension Scheme are eligible to be part of a stakeholder friendly defined contribution scheme or National Employment Savings Trust scheme. The assets of these schemes are held separately from those of the organisation in independently administered funds.

The amounts payable by the Society to the fund were:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Total paid to the funds	310	276	310	247
Contributions payable to the funds at the year end and included in creditors	22	21	22	21

b. Defined Benefit Schemes – Cheshire Pension Fund and Greater Manchester Pension Fund

The Society is an "Admitted Body" to the Cheshire Pension Fund. A number of the Society's eligible employees are members of that scheme. The subsidiary company, Borough Care Services Limited, is an "Admitted Body" to the Greater Manchester Pension Fund. A number of the company's eligible employees are members of that scheme. The Cheshire Pension Fund and Greater Manchester Pension Fund are part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Funds are administered by Cheshire County Council and Tameside Metropolitan Borough respectively in accordance with the Local Government Pension Scheme Regulations 1997 as amended.

The Schemes are closed schemes and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Funds' assets and liabilities are assessed by the Funds' Independent Actuary every three years with the latest actuarial valuation taking place at 31 March 2013.

The amounts payable by the Society to the fund were:

	GROUP		CLS	
	2016	2015 Restated	2016	2015 Restated
	£'000's	£'000's	£'000's	£'000's
Total paid to the funds	739	710	573	522

The agreed employer's contribution rate for the Cheshire Pension fund for 2015/16 is 25.2% plus a deficit payment of £540,000. The agreed employer's contribution rate for the Greater Manchester Pension Fund for 2015/16 is 25.3% plus a deficit payment of £141,000.

The Group expects to make total contributions into the Funds of £819,000 during the next 12 months

CHESHIRE PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-16 £000's	31-Mar-15 £000's
Fair value of employer assets	9,302	8,877
Present value of funded obligations	(14,914)	(15,997)
Net pension liability	**(5,612)**	**(7,120)**

The amounts recognised in the Statement of Financial Activities are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Current service cost	(50)	(49)
Interest on Employer Assets	274	314
Interest on Pension Scheme Liabilities	(486)	(600)
	(262)	**(335)**

Amounts recognised in Other recognised gains / (losses):

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Actual return less expected return on pension scheme assets	249	989
Experience gains arising on scheme liabilities	278	178
Changes in financial assumptions underlying the present value of the scheme liabilities	670	(1,258)
Actuarial (loss) / gain in pension plan	**1,197**	**(91)**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Opening defined benefit obligation	**15,997**	**14,959**
Current Service Cost	50	49
Interest cost	486	600
Contributions by members	9	11
Remeasurement	(948)	1,080
Estimated benefits paid	(680)	(702)
Closing defined benefit obligation	**14,914**	**15,997**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Opening fair value of employer assets	**8,877**	**7,743**
Interest income	274	314
Contributions by members	9	11
Contributions by the employer	573	522
Remeasurement	249	989
Benefits paid	(680)	(702)
Closing fair value of employer assets	**9,302**	**8,877**

The major categories of fund assets are as follows:

	Assets at 31-Mar-16 £000's	Assets at 31-Mar-15 £000's
Equities	4,000	3,906
Bonds	4,558	4,172
Property	744	710
Cash	0	89
Total	**9,302**	**8,877**

The principal assumptions at the balance sheet date:

	31-Mar-16 % per annum	31-Mar-15 % per annum
Inflation rate	2.1%	2.1%
Future salary increase rate	3.1%	3.0%
Future pension increase rate	2.1%	2.1%
Expected return on assets	3.4%	3.1%
Discount rate	3.4%	3.1%

Sensitivity analysis
Change in assumptions at 31 March 2016

	Approximate %	Approximate Amount £'000's
0.5% decrease in Real Discount Rate	8.0%	1,172
1 year increase in member life expectancy	3.0%	447
0.5% increase in Salary Increase Rate	1.0%	110
0.5% increase in the Pension Increase Rate	7.0%	1,063

Mortality

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assessed life expectations on retirement age 65 are:

	Males	Females
Retiring today	22.3	24.4
Retiring in 20 years	24.1	26.7

GREATER MANCHESTER PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-16 £000's	31-Mar-15 £000's
Fair value of employer assets	6,910	7,258
Present value of funded obligations	(9,997)	(10,712)
Net pension liability	**(3,087)**	**(3,454)**

The amounts recognised in the Statement of Financial Activities are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Current service cost	(33)	(68)
Total gain included in operating surplus (A)	**(33)**	**(68)**
Interest on Employer Assets	220	271
Interest on Pension Scheme Liabilities	(325)	(399)
Net Return included within interest payable (B)	**(105)**	**(128)**
	(138)	**(196)**

Amounts recognised in Other recognised gains / (losses):

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Actual return less expected return on pension scheme assets	(261)	497
Experience gains and losses arising on scheme liabilities	170	110
Changes in financial assumptions underlying the present value of the scheme liabilities	430	(872)
Actuarial gain / (loss) in pension plan	**339**	**(265)**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Opening defined benefit obligation	**10,712**	**9,926**
Current Service Cost	33	68
Interest cost	325	399
Contributions by members	7	13
Remeasurement	(600)	762
Estimated benefits paid	(480)	(456)
Closing defined benefit obligation	**9,997**	**10,712**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-16 £000's	Year to 31-Mar-15 £000's
Opening fair value of employer assets	**7,258**	**6,745**
Interest income	220	271
Contributions by members	7	13
Contributions by the employer	166	188
Remeasurement	(261)	497
Benefits paid	(480)	(456)
Closing fair value of employer assets	**6,910**	**7,258**

The major categories of fund assets are as follows:

	Assets at 31-Mar-16 £000's	Assets at 31-Mar-15 £000's
Equities	5,044	5,299
Bonds	1,175	1,234
Property	415	435
Cash	276	290
Total	**6,910**	**7,258**

The principal assumptions at the balance sheet date:

	31-Mar-16 % per annum	31-Mar-15 % per annum
Inflation rate	2.1%	2.1%
Future salary increase rate	3.4%	3.3%
Future pension increase rate	2.1%	2.1%
Expected return on assets	3.4%	3.1%
Discount rate	3.4%	3.1%

Sensitivity analysis
Change in assumptions at 31 March 2016

	Approximate %	Approximate Amount £'000's
0.5% decrease in Real Discount Rate	8.0%	764
1 year increase in member life expectancy	3.0%	300
0.5% increase in Salary Increase Rate	1.0%	102
0.5% increase in the Pension Increase Rate	7.0%	660

Mortality

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assessed life expectations on retirement age 65 are:

	Males years	Females years
Retiring today	22.3	24.4
Retiring in 20 years	24.1	26.7

CHARITY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

BELONG LIMITED

(formerly CLS Care Services Limited)

Registered Society Number 27346R

GROUP ANNUAL REPORT

AND

FINANCIAL STATEMENTS

For the Year Ended
31 March 2017

GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS

BOARD REPORT
YEAR ENDED 31 MARCH 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure and Management

On 3 February 2017, the Financial Conduct Authority approved and registered the change of name of the society from CLS Care Services Limited to Belong Limited. The Board members of Belong Limited present their Annual Report for the year ended 31 March 2017 under the Co-operative and Communities Benefit Societies Act 2014, including the Board Report and the Strategic Report, together with the audited financial statements for the year. Belong is a Registered Society (Number 27346R) with charitable status. The governing document enables a Unitary Board structure and permits the remuneration of Non-Executive Board members. The Board may consist of up to 12 members, with no more than one third of Board members being Executive Board members. Non-Executive Board members are elected by members at the Annual General Meeting. The Board meets up to 12 times a year and the effectiveness of the Board is reviewed annually. The Audit Committee of the Board meets 4 times a year and the Remuneration Committee meets at least once a year. The Board has accepted the recommendation of the Remuneration Committee that Non-Executive Board members' remuneration is paid at a level based on amounts paid by Registered Social Landlords. This remuneration policy and levels are reviewed by an external consultant every three years. Operational management is delegated to the Chief Executive and the Executive Board. The role and responsibilities of the Board and is set out in the document 'Your Guide to Being a Board Member'.

Recruitment, Selection and Induction of Board Members

The Society aims to reach as wide a pool of potential Board members as possible in order to achieve a Board that properly reflects the diversity of the population the organisation serves. The Board believes advertising publicly in local and where appropriate, national media is the preferred method. The recruitment and selection of Non-Executive Board members is delegated to a Sub-Committee of the Board who prepare a person specification based on the current skill mix and perceived future needs of the Board. Applicants are scored against these requirements in order to create a short list of applicants to be interviewed by a panel comprising usually of 3 Board members, including an Executive Board member, who report their recommendations to the Board. Care is taken in this process to ensure applicants are assessed in a fair and transparent way that tries to ensure applicants particularly those from diverse backgrounds are not disadvantaged by the process. All new Board members are provided with a programme of induction in order for them to learn about their role and how the Group is managed. The programme includes visits to the villages and other services in the Group.

Statement of Board Responsibilities

The Board members are responsible for preparing the Strategic Report, the Board report and the financial statements in accordance with applicable law and regulations. In preparing those financial statements the Board has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Society will continue in operation).

Insofar as each of the Board members of the Society, at the date of approval of this report, is aware there is no relevant audit information (information needed by the Society's auditors in connection with preparing the audit report) of which the Society's auditors are unaware. Each Board member has taken all of the steps that they should have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Board members have overall responsibility for ensuring that the Society has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-Operative and Communities Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence taking reasonable steps for the detection and prevention of fraud and other irregularities.

Key Management Remuneration

The key management personnel of the Society are the Executive Board members as noted on page 5. The remuneration of Executive Board members is set by the Board on the recommendation the Remuneration Committee using benchmarks from the not-for-profit care industry and other charities. The total employee benefits of the key management personnel were £350,000 (2016: £335,000).

Employees
It is the policy of the Society to ensure that continued employment is offered to employees who become temporarily or permanently disabled. Furthermore, it is the policy of the Society to ensure that people with disabilities are treated fairly and that they are encouraged and supported to join, remain and progress within the Society, whilst recognising the special importance of health and safety in their employment. It is also the policy of the Society to keep employees informed on matters affecting their interests through normal management channels and due consideration is also given to their interests in the management decision making process.

OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

Belong Limited's objects are to carry on any charitable purpose for the benefit of the community and in particular to provide accommodation, care, support and associated facilities, amenities and services for persons who by reason of age, illness, disability (including physical, mental and/or learning disability), poverty or social and economic circumstances are in need thereof.

Belong aims to provide high quality, person centred care for older people. In furtherance of its objectives, Belong provides quality care, accommodation and ancillary services to older people, in particular supporting people living with dementia. The Group's goal is to create village communities enabling older people to live the lives they choose and to establish Belong as a beacon of light for our market providing top quality services through great people at competitive prices.

The Belong villages provide a range of care, housing and support options for older people, as well as extensive amenities in the village centre including a bistro, hair salon, exercise studio and function rooms. Belong specialises in supporting people with dementia and 24-hour care is provided in extended family sized households, with modern open plan layouts specially designed around the needs of people with dementia and all employees working in Belong villages are trained in dementia awareness.

The Board members consider that they have complied with the duty in section 4 of the Charities Act 2006 to have due regard to Public Benefit guidance published by the Commission, including the guidance on Public Benefit and Fee Charging. Fees and rents are set at a level to cover costs and meet bank covenants. Any surpluses are reinvested to subsidise improved services for older people. Care fees are benchmarked against the Joseph Rowntree Foundation published figures for the efficient cost of care. Access to people in poverty is provided by making facilities available to residents funded by their local authority or Clinical Commissioning Groups at subsidised rates. This is assisted by negotiations with Local Authorities and Clinical Commissioning Groups to ensure their contributions to residents' fees provide full cost recovery and by supporting residents to claim all benefits to which they are entitled.

STRATEGIC REPORT

Achievements and Performance
The 18 remaining CLS care homes were sold as a going concern to Croftwood Care (Cheshire) Limited, 14 homes being transferred on 8 November 2016 and four homes on 2 December 2016, enabling the Society to concentrate on its strategy to develop and operate Belong villages as communities enabling older people to live the lives they choose.

During the year, seven of the ten Belong registered services were inspected by the Care Quality Commission, five of which were rated "Good" and Belong at Home Crewe received our first "Outstanding" rating. We were disappointed to receive a "Requires Improvement" rating for Belong Atherton and all of the actions resulting from this inspection have been fully implemented. 90% of our services are now rated "Good" or above.

During the year Belong Warrington won Activity Coordinator of the year at the National Care Awards and, at the Great North West Awards, Belong was successful in winning the Good Nurse Award, the Palliative Care Award and the Care Trainer Award. We were also a finalist in the Third Sector Care Awards in the End of Life category. The Operations Director was also awarded and fulfilled a Winston Churchill Memorial Trust Travel Fellowship. Belong was also achieved a Gold accreditation on its Investors in People re-assessment.

The key objectives for the Group for 2016/17 were:

- To maintain occupancy at the 2015/16 level;
- To reduce expenditure on agency staff;
- To start on site at Belong Newcastle-under-Lyme;
- To obtain planning permission and funding for Belong Chester and start on site there.

The performance against the first 2 objectives is discussed in the Financial Review 2016/17 section below.

The development of Belong Newcastle-under-Lyme started on site in June 2016 and is due to complete early in 2018. Belong Morris Feinmann in Didsbury continued in development with practical completion occurring in June 2017.

The planning application for the eighth Belong village development in Birkdale was approved following a successful appeal in December 2016, with a start on site planned for January 2018. The Belong Chester planning application was finally approved in May 2017, with start on site planned for the autumn of 2017.

During 2016/17 Belong offered 350 household bedrooms and 128 apartments in five villages. The organisation is also a registered domiciliary care provider and can support people in their own home, through its Belong at Home service. During 2016/17, Belong at Home provided about 56,500 hours of support (2015/16: 44,400), the number of customers has increased to 167 people by the year end (2016: 147 people), with turnover increasing to £1.1m (2016: £755,000).

Experience days have been developed at the Belong Villages to offer an alternative to day care providing an opportunity for older people get involved in the Belong community and enjoy some of the activities that we offer. During 2016/17 this produced £176,000 of income (2015/16: £187,000) and almost 3,200 days (2016:3,500 days) provided over the year.

The key objectives for 2017/18 are:

- To maintain occupancy at the 2016/17 level;
- To reduce expenditure on agency staff;
- To grow the number of community based customers;
- To open Belong Morris Feinmann and Belong Newcastle-under-Lyme ;
- To start on site with the development of Belong Birkdale;
- To obtain planning permission and funding for the development of Belong Chester and start on site there.

Financial Review 2016/17

The Financial statements have now been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) which was effective from 1 January 2015, including the Charities Statement of Recommended Practice applicable to charities preparing accounts in accordance with FRS102.

The Group has achieved net income for the year of £15.1m (2016: net income of £2.9m) with £11.4m of the 2017 surplus relating to the surplus on the sale of the CLS homes. The net sale proceeds of £20.3m were applied to reduce bank loans.

Group occupancy was maintained at 95% in 2016/17 with occupancy in the Belong households of 97.8% (2016: 97.6%). With the sale of the CLS homes, the proportion of self-funding residents increased from 52.5% to 69.6%, with a resulting increase in average resident fees from £661 to £907 per week. Group agency costs increased to £1m (2016: £926,000) with Belong villages agency costs increasing from £375,000 in 2015/16 to £616,000 in 2016/17. Difficulties were experienced in recruiting nurses and night staff in particular, with continued pressures due to the increase in the national living wage and increased wages from local competition for staff in the retail sector. From April 2017, Belong significantly increased rates of pay, introducing pay levels based on the real living wage, which should lead to a reduction in agency expenditure in 2017/18.

The net income for the year and the actuarial losses in the Local Government Pension schemes of £2.9m for the Group (2016: £1.5m gain) have increased the Group reserves to a surplus of £26.6m (2016: £14.3m). The Group pension deficits increased to £11.1m (2016: £8.7m) and the employer's contribution to the Local Government Pension Schemes is currently set at levels to achieve a funding level of 100% over a 15-20 year period.

Principal Risks and Uncertainties

Belong has undertaken a review of its business processes and attempted to identify the major business risks to which it is exposed. It is satisfied that systems and strategies are in place to mitigate these risks. Identification and review of business risks remains an on-going management process. The key risks and uncertainties facing the Group are:

- The volatility of the pension deficit and the risk of triggering a deficit payment;
- Increases in development costs;
- Increases in costs rising at a rate higher than potential fee increases;

- Property maintenance overspends;
- Damage resulting from flooding;
- Reduced occupancy.

Reserves Policy
The total Group charitable reserves held as at 31 March 2017 were £26.55m (2016: £14.35m). This includes £753,000 (2016: £248,000) of Restricted funds in relation to the Community Fee reserves and Heritage Lottery Funding for Belong Newcastle-under-Lyme and £12,000 (2016: £40,000) of Designated reserves relating to funds raised for the benefit of residents at our villages.

In line with the organisation's strategy to create village communities enabling older people to live the lives they choose, Belong aims for unrestricted funds to be held mainly as fixed assets for charitable use. Similarly, the Treasury Management policy aims for cash available for the longer term to be used primarily to fund investments in future Belong villages as approved by the Board.

In setting the annual budget, the Board ensures that there is sufficient working capital to support operations, sufficient borrowings to fund development plans and that bank covenants are met. The financial impact of the key risk areas is considered as part of the budgetary and risk management processes. Financial forecasting covering cash-flow, earnings and debt levels is prepared which demonstrates that the organisation has sufficient cash and borrowings to deliver its strategy and cover anticipated risks.

Belong recognises its major source of income is from care home fees and is, therefore, vulnerable to an unforeseen decline in occupancy.

In addition, Belong acknowledges the significant risk attached to the local government pension deficits. The pension deficits, as valued on an on-going basis, are currently being repaid over a 15-20 year period and these repayments are included in the annual budget and are covered from existing income. Since the schemes are closed to new members, with only 4 current employees across the two schemes, there is a risk that the pension deficit payment will be triggered. In these circumstances the deficits will be valued on a gilts basis rather than the FRS102 basis at an estimated additional cost of £5m.

Belong's policy is, therefore, for available reserves to be sufficient to cover the impact of key risks and commitments on continuing operations, available reserves being general reserves excluding assets used in the course of business for charitable purposes and debt thereon. On this basis, the target level of available reserves should be around £1.9m. Currently available reserves are minus £10.3m. The shortfall of £12.2m will be reduced with the anticipated surpluses over the next few years. However, cash flow forecasts indicate that the key risks can be covered within the 2017/18 budget period if necessary, particularly as it is unlikely that all of these risk events will occur at the same time.

Plans for Future Periods
Belong's strategy is to create village communities enabling older people to live the lives they choose by providing top quality services by great people at competitive prices. The continued development of Belong villages aims to fulfil this strategy over the next 5 years, and the society plans to operate at least 10 villages by 2020.

AUDITORS

The incumbent auditors, Crowe Clark Whitehill LLP, have expressed their willingness to continue in office and a resolution to reappointment them will be proposed at the Annual General Meeting.

My thanks go to all staff for their commitment and achievements and to the Board for their dedication, enthusiasm and hard work. In particular, I would like to recognise the contribution of the retiring Chief Executive, Nick Dykes, and thank him for his leadership, commitment and vision which have transformed the organisation from running outdated care homes into providing world leading care villages.

This Annual Report was approved by the Board Members on 19 July 2017, including approving the Strategic Report contained therein and is signed as authorised on its behalf by

Roger Hoyle
Chair
19 July 2017

A SUMMARY OF INFORMATION

1 The Board Members

Non-Executives

Roger A Hoyle TD, BA(Law), DipHSM, VR	Chair
Nicola Brooks BA Hons, FCIPD	Vice Chair
Robert Armstrong BSc (Open)	
Kate Baldwin BA Hons, PG Dip (Law), PG Dip (LP)	
Andrea Campbell MA	
Mike Cooney BA, MBA, DMS, CQSW	
John Roddy ACIB	
Clive Unitt FCA	

Executives

Nick Dykes BA Hons, MBA	Chief Executive (Joint Chief Executive from 1 July 2017)
Tracey Stakes BSc, FCA, DipChA, MBA	Finance Director and Secretary (Joint Chief Executive from 1 July 2017)
Tracy Paine RN, MA, MSc	Operations Director (Deputy Chief Executive & Development Director from 1 July 2017)

2 Bankers

Royal Bank of Scotland
2nd Floor
41 Cornmarket
Derby
DE1 2DH

3 Statutory Auditor

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor
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4 Principal Solicitors

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5 Registered Office

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Cheshire
CW5 5DQ

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BELONG LIMITED

We have audited the Group and parent society financial statements of Belong Limited (the "Society") for the year ended 31 March 2017 (the "financial statements") which comprises the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. 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 Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF BOARD MEMBERS AND AUDITORS

As more fully explained in the Statement of Board Responsibilities set out on page 1, the Society's Board members are responsible for the preparation of financial statements which 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board members; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Society and Group as at 31 March 2017 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with UK GAAP and the Co-operative and Community Benefit Societies Act 2014.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Society has not kept proper books of account, and not maintained a satisfactory system of control over its transactions, in accordance with the requirements of the legislation; or
- the statement of financial activities, any other accounts to which the report relates, and the balance sheet are not in agreement with the Society's books of account; or
- we have not obtained all the information and explanations necessary for the purpose of our audit.

Crowe Clark Whitehill LLP.

Crowe Clark Whitehill LLP
Statutory Auditor
3rd floor, The Lexicon
Mount Street
Manchester, M2 5NT
19 July 2017

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

	Note	Unrestricted Funds £'000's	Restricted Funds £'000's	Total Funds 2017 £'000's	Total Funds 2016 £'000's
Income:					
Donations	2	5	-	5	15
Charitable activities	3	29,605	1,030	30,635	32,938
Other trading activities	4	43	-	43	66
Investment income	5	16	-	16	11
Other income	6	11,385	-	11,385	3
Total		**41,054**	**1,030**	**42,084**	**33,033**
Expenditure:					
Raising funds	7	1	-	1	8
Charitable activities	8	26,537	525	27,062	30,006
(Gains) / Losses on change in fair value of financial instruments		(74)	-	(74)	89
Total		**26,464**	**525**	**26,989**	**30,103**
Net income		**14,590**	**505**	**15,095**	**2,930**
Other recognised gains / (losses):					
Actuarial (losses) / gains on defined benefit pension schemes		(2,890)	-	(2,890)	1,536
Net movement in funds		**11,700**	**505**	**12,205**	**4,466**
Reconciliation of funds:					
Total funds brought forward		14,097	248	14,345	9,879
Total funds carried forward		**25,797**	**753**	**26,550**	**14,345**

All of the above transactions relate to continuing operations.

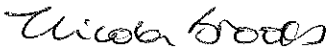
The notes on pages 10 to 27 form part of the financial statements.

BALANCE SHEET
AS AT 31 MARCH 2017

	Note	GROUP 2017 £'000's	GROUP 2016 £'000's	BELONG 2017 £'000's	BELONG 2016 £'000's
Fixed Assets					
Tangible assets	12	56,539	59,746	57,633	60,688
Current Assets					
Stocks	13	32	60	32	60
Debtors	14	2,849	3,656	2,839	3,656
Cash at bank and in hand		8,863	5,391	7,897	4,381
		11,744	**9,107**	**10,768**	**8,097**
Creditors: amounts falling due within one year	15	(11,029)	(12,725)	(12,851)	(14,582)
Net Current Assets / (Liabilities)		**715**	**(3,618)**	**(2,083)**	**(6,485)**
Total Assets Less Current Liabilities		**57,254**	**56,128**	**55,550**	**54,203**
Creditors: Amounts falling due after more than one year	16	(19,578)	(33,085)	(19,468)	(33,085)
Net assets excluding pension liabilities		**37,676**	**23,043**	**36,082**	**21,118**
Defined benefit pension scheme liabilities	29	(11,126)	(8,698)	(8,163)	(5,611)
Net assets including pension liabilities	20	**26,550**	**14,345**	**27,919**	**15,507**
Financed by:					
Unrestricted reserves	19	25,797	14,097	27,166	15,259
Restricted reserves	19	753	248	753	248
		26,550	**14,345**	**27,919**	**15,507**

The notes on pages 10 to 27 form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and are signed on its behalf by:



Roger A Hoyle
Chair

Nicola Brooks
Vice Chair

Tracey Stakes
Joint Chief Executive and Secretary

CONSLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	GROUP 2017 £'000's	GROUP 2016 £'000's
Cash flows from operating activities			
Net cash provided by operating activities	23	6,257	7,048
Cash flows from investing activities			
Net cash provided by (used in) investing activities	21	9,215	(7,451)
Cash flows from financing activities			
Net cash provided by (used in) financing activities	21	(11,994)	538
Change in cash and cash equivalents in the reporting period		**3,478**	**135**
Cash and cash equivalents at the beginning of the reporting period		**5,369**	**5,234**
Cash and cash equivalents at the end of the reporting period		**8,847**	**5,369**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 ACCOUNTING POLICIES

(a) Basis of preparation of the Financial Statements

The financial statements have been prepared in accordance with the 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) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Belong Limited 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 note(s).

(b) Going Concern

After reviewing the group's forecasts and projections, the board members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group continues to adopt the going concern basis in preparing its consolidated financial statements.

(c) Basis of Consolidation

The Group financial statements incorporate the audited financial statements of Belong Limited and all of its subsidiary undertakings.

(d) Critical accounting judgements and estimation uncertainty

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Defined benefit pension scheme (note 29)

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

(e) Income

Income is recognised when the organisation has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

Income is classified under the following headings within the SOFA:

- Donations include the monies donated and any associated gift aid.
- Charitable activities relate to those activities undertaken for the charitable purposes of the organisation. Activities are categorised as 'Care Services provided in Homes and Villages', 'Apartment income', 'Care Services provided in customers homes' and

'Ancillary services' which consists of activity in the Villages Bistro, Salon, Gym, Venue and Laundry.

- Other trading activities include monies raised through fundraising events.
- Investment income consists of interest received for monies held on deposit.
- Other income consists of income not applicable to any other heading.

(f) Fund accounting

Unrestricted funds are available to spend on activities that further the purposes of the organisation. Designated funds are unrestricted funds that which the organisation has decided at their discretion to set aside to use for a specific purpose. Restricted community fee reserve relates to monies received in advance of maintenance and major repairs to Apartment buildings.

(g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Cost of raising funds comprises the costs of fundraising events held in the Homes and Villages. This includes an element of staff time in addition to goods and services.
- Expenditure on charitable activities includes the costs incurred in relation to the charitable activities of the organisation.
- Other expenditure represents those items of expenditure not being applicable to any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(h) Fixed Assets

Equipment

All items with an individual value in excess of £250 and a useful life of at least 3 years are capitalised.

Works to Existing Homes and Villages

The Society capitalises expenditure incurred on the homes and villages which increases their net income stream. An increase in the income stream may arise through increased revenue, a reduction in future maintenance costs or a significant extension of the life of the home.

(i) Depreciation

Depreciation is charged to write-off the cost of fixed assets over their useful working lives and is calculated on a straight line basis over the periods set out below:

Freehold Property	50 years
Leasehold Property	over the life of the lease
Leasehold Improvements	shorter of the life of the lease or 5 to 20 years
Furniture, Fittings and Fixtures	5 to 10 years
Computers, Plant and Equipment	3 to 10 years

Land and assets in the course of construction are not depreciated.

(j) Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the financial statements.

(k) Leases

Operating
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income and expenditure account on a straight line basis over the life of the lease term.

Finance
Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income and expenditure account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

(l) Stocks

The value of stocks is stated at the lower of cost and net realisable value.

(m) Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the SOFA.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the SOFA.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the SOFA, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(n) Pension Costs

The Society operates defined contribution and defined benefit pension schemes for employees.

The costs of the defined benefit contribution arrangements are charged to the SOFA as incurred.

The defined benefit arrangements represent two funded schemes where the assets are held separately from those of the Society in trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to the SOFA are the current service costs and the costs of scheme benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the SOFA and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses

(o) Corporation Tax

The Society has been granted exemption from Corporation Tax under the Income and Corporation Taxes Act 2007.

2 INCOME FROM DONATIONS

	GROUP	
	2017	**2016**
	£'000's	**£'000's**
Donations	5	15

3 INCOME FROM CHARITABLE ACTIVITIES

	GROUP	
	2017	**2016**
	£'000's	**£'000's**
Care services provided in Homes and Villages	27,413	30,115
Apartment income	1,383	1,385
Ancilliary services	713	683
Care services provided in customer homes	1,126	755
	30,635	32,938

4 INCOME FROM OTHER TRADING ACTIVITIES

	GROUP 2017 £'000's	GROUP 2016 £'000's
Fundraising	43	66

5 INVESTMENT INCOME

	GROUP 2017 £'000's	GROUP 2016 £'000's
Interest	16	11

6 OTHER INCOME

	GROUP 2017 £'000's	GROUP 2016 £'000's
Profit on disposal of Fixed Assets	11,385	3

7 ANALYSIS OF EXPENDITURE ON RAISING FUNDS

	GROUP 2017 £'000's	GROUP 2016 £'000's
Fundraising costs	1	8

8 SUMMARY ANALYSIS OF EXPENDITURE AND RELATED INCOME FROM CHARITABLE ACTIVITIES

	Care provided in Homes and Villages £'000's	Apartment income £'000's	Ancilliary services £'000's	Care provided in customers' homes £'000's	Set up of new Villages £'000's	2017 £'000's
Income	27,413	1,383	713	1,126	-	30,635
Expenditure:						
Depreciation	1,772	314	61	3	-	2,150
Interest Payable (note 11)	1,087	211	43	12	-	1,353
Support and Governance (note 9)	2,675	131	67	112	-	2,985
Activities undertaken directly	18,095	653	784	952	90	20,574
	23,629	1,309	955	1,079	90	27,062
Net surplus / (loss)	3,784	74	(242)	47	(90)	3,573

	Care provided in Homes and Villages £'000's	Apartment income £'000's	Ancilliary services £'000's	Care provided in customers' homes £'000's	Set up of new Villages £'000's	2016 £'000's
Income	30,115	1,385	683	755	-	32,938
Expenditure:						
Depreciation	2,139	312	60	2	-	2,513
Interest Payable (note 11)	1,312	242	47	9	-	1,610
Support and Governance (note 9)	2,657	97	47	56	-	2,857
Activities undertaken directly	21,065	555	715	691	-	23,026
	27,173	1,206	869	758	-	30,006
Net surplus / (loss)	2,942	179	(186)	(3)	-	2,932

9 ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

	2017 £'000's	2016 £'000's
Support staff costs	2,028	2,005
Premises costs	215	243
Other support costs	386	299
Governance costs	356	310
	2,985	2,857

Comparatives have been reclassified to better reflect pension costs in line with the current year.

Support and Governance costs are apportioned to charitable activities in proportion to income earned from those activities.

10 STAFF COSTS, DIRECTOR REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

	GROUP	
	2017 £'000's	2016 £'000's
Wages and salaries	14,702	16,620
National Insurance costs	780	836
Other pension costs		
Paid to defined contribution schemes	227	310
Defined benefit costs	343	400
	16,052	18,166

The average number of staff employed by the Group during the year was 1,256 (2016:1,657). These were made up of 743 Support Staff, 126 Administration Staff and 387 Housekeeping and Other Staff.

Staff paid in excess of £60,000 per annum are summarised as follows:

	Number of employees as at 31 March 2017
£60,001 - £70,000	1
£70,001 - £80,000	-
£80,001 - £90,000	-
£90,001 - £100,000	2
£100,001 - £110,000	1
	4

The governing document of the organisation provides for remuneration and expenses to be paid to Non-Executive Directors

All 8 Non-Executive Directors are paid remuneration by the Society. The Chair of the Board receives remuneration of £13,000 per annum, Vice Chair £8,000 per annum, Chair of the Audit Sub-Committee £7,000 and all remaining Non-Executive Directors receive £6,000 per annum. In addition to the remuneration paid to Non-Executives Directors, travelling and other necessary expenses of £4,000 (2016: £4,000) were reimbursed by the Society to the Non-Executive Directors.

The key management personnel of the Group comprise the Executive Directors (the Chief Executive, Finance Director and Operations Director). The total employee benefits of the key management personnel were £350,000 (2016: £335,000)

11 INTEREST PAYABLE

	GROUP	
	2017	**2016**
	£'000's	**£'000's**
Interest payable in respect of:-		
Bank loan and overdraft	724	839
Net interest on pension scheme liabilities	283	317
Finance charges payable under finance leases	346	454
	1,353	1,610

12 FIXED ASSETS

Group

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2016	45,573	9,091	2,032	8,954	3,330	4,440	73,420
Additions during the year	282	916	8,007	22	274	487	9,988
Disposals during the year	(13,577)	(667)	-	(1,246)	(718)	(3,260)	(19,468)
As at 31 March 2017	32,278	9,340	10,039	7,730	2,886	1,667	63,940
DEPRECIATION							
As at 1 April 2016	7,674	-	-	2,419	1,718	1,863	13,674
Charge for the year	993	-	-	288	457	412	2,150
Eliminated on disposals	(6,100)	-	-	(253)	(585)	(1,485)	(8,423)
As at 31 March 2017	2,567	-	-	2,454	1,590	790	7,401
NET BOOK VALUE							
As at 1 April 2016	37,899	9,091	2,032	6,535	1,612	2,577	59,746
As at 31 March 2017	29,711	9,340	10,039	5,276	1,296	877	56,539

Included above are assets acquired under finance leases with net book values as follows:

As at 1 April 2016	6,246	6,246
As at 31 March 2017	5,141	5,141

Depreciation charged for the year on assets purchased under finance leases totals £257,000 (2016: £273,000).

Included within Assets in Course of Construction are £592,000 of assets for which The Heritage Lottery have taken security, which is expected to be in place for 10 years following completion of the development.

BELONG

	Freehold Property	Land	Assets in Course of Construction	Leasehold Property	Furniture & Office Equipment	Plant & Equipment	Totals
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST							
As at 1 April 2016	47,658	9,146	2,070	8,954	3,330	4,441	75,599
Additions during the year	282	916	8,178	22	274	487	10,159
Disposals during the year	(13,577)	(667)	-	(1,246)	(718)	(3,260)	(19,468)
As at 31 March 2017	34,363	9,395	10,248	7,730	2,886	1,668	66,290
DEPRECIATION							
As at 1 April 2016	8,910	-	-	2,419	1,718	1,864	14,911
Charge for the year	1,012	-	-	288	457	412	2,169
Eliminated on disposals	(6,100)	-	-	(253)	(585)	(1,485)	(8,423)
As at 31 March 2017	3,822	-	-	2,454	1,590	791	8,657
NET BOOK VALUE							
As at 1 April 2016	38,748	9,146	2,070	6,535	1,612	2,577	60,688
As at 31 March 2017	30,541	9,395	10,248	5,276	1,296	877	57,633

Included above are assets acquired under finance leases with net book values as follows:

As at 1 April 2016	6,246	6,246
As at 31 March 2017	5,141	5,141

Depreciation charged for the year on assets purchased under finance leases totals £257,000 (2016: £273,000).

Included within Assets in Course of Construction are £592,000 of assets for which The Heritage Lottery have taken security, which is expected to be in place for 10 years following completion of the development.

13 STOCK

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Consumable stocks	32	60	32	60

Consumable stocks comprise food, cleaning materials and medical supplies.

14 DEBTORS

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Amounts due from Group undertakings	-	-	-	7
Trade debtors	2,447	2,626	2,447	2,626
Other debtors	10	7	-	-
Pre-payments and accrued income	392	1,023	392	1,023
	2,849	3,656	2,839	3,656

Trade debtors are stated after provisions for impairment of £130,000 (2016: £55,000)

15 CREDITORS : Amounts falling due within one year:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Bank loan and overdrafts	863	1,415	863	1,415
Amounts due to Group undertakings	-	-	3,726	3,202
Trade creditors	1,396	758	799	741
Other taxation and Social Security payable	264	425	260	422
Other creditors	5,774	6,648	4,525	5,345
Accruals and deferred income	2,315	2,989	2,261	2,967
Derivative financial instruments	248	322	248	322
Residents' fund	-	1	-	1
Finance lease obligations	169	167	169	167
	11,029	12,725	12,851	14,582

Other creditors include obligations for apartments under a sale and repurchase agreement and retentions held in respect of Belong Morris Feinmann.

Derivative financial instruments comprise the fair value of a swap held by the organisation. See note 16 below for information about bank loans and overdrafts.

16 CREDITORS : Amounts falling due after more than one year:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Bank loan				
- due between one and two years	847	7,873	847	7,873
- due between two and five years	13,076	17,335	13,076	17,335
- due after more than five years	-	-	-	-
	13,923	25,208	13,923	25,208
Finance lease obligations				
- due between one and two years	177	175	177	175
- due between two and five years	587	581	587	581
- due after more than five years	4,781	7,121	4,781	7,121
	5,545	7,877	5,545	7,877
Other Creditors	110	-	-	-
	19,578	33,085	19,468	33,085

The loan is secured on the value of 5 freeholds which are owned by Belong Limited and a floating debenture.

The refinance loan facilities have a term of 5 years from July 2014, with repayments calculated over a 20 year period. Interest rates are at 2.25% over LIBOR for the refinance facility.

A LIBOR interest rate swap at 1.538% has been arranged to cover 70% of the loan from January 2015 to July 2019.

17 FINANCIAL INSTRUMENTS

Financial assets measured at amortised cost:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Amounts due from Group undertakings	-	-	-	7
Trade debtors	2,447	2,626	2,447	2,626
Other debtors	10	7	-	-
	2,457	2,633	2,447	2,633

Financial liabilities measured at fair value:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Derivative financial instruments	248	322	248	322

Financial liabilities measured at amortised cost:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Bank loans	14,770	26,601	14,770	26,601
Amounts due to Group undertakings	-	-	3,726	3,202
Trade creditors	1,396	758	799	741
Other creditors	5,774	6,648	4,525	5,345
Accruals and deferred income	2,315	2,989	2,261	2,967
Residents' fund	-	1	-	1
Finance lease obligations	5,714	8,044	5,714	8,044
	29,969	45,041	31,795	46,901

18 SHARE CAPITAL

	GROUP		BELONG	
	2017	2016	2017	2016
	£'s	£'s	£'s	£'s
Allotted, called up and fully paid ordinary shares	19	25	19	25

19 CHARITABLE RESERVES

Group

	Balance 1 April 2016	Incoming resources	Resources expended	Losses	Balance 31 March 2017
	£'000's	£'000's	£'000's	£'000's	£'000's
General reserve	14,057	41,009	(26,391)	(2,890)	25,785
Designated homes' and villages' reserve	40	45	(73)	-	12
	14,097	41,054	(26,464)	(2,890)	25,797
Restricted community fee reserve	248	588	(525)	-	311
Restricted capital grant reserve	-	442	-	-	442
Total	**14,345**	**42,084**	**(26,989)**	**(2,890)**	**26,550**

Belong

	Balance 1 April 2016 £'000's	Incoming resources £'000's	Resources expended £'000's	Losses £'000's	Balance 31 March 2017 £'000's
General reserve	15,219	41,082	(26,179)	(2,968)	27,154
Designated homes' and villages' reserve	40	45	(73)	-	12
	15,259	41,127	(26,252)	(2,968)	27,166
Restricted community fee reserve	248	588	(525)	-	311
Restricted capital grant reserve	-	442	-	-	442
Total	**15,507**	**42,157**	**(26,777)**	**(2,968)**	**27,919**

General reserve is the 'free reserves' after allowing for all restricted and designated reserves.

Restricted community fee reserve is monies received in advance of expenditure on maintenance and major repairs of apartment buildings.

Restricted capital grant reserve is monies received from the Heritage Lottery Fund for the new development at Newcastle-under-Lyme.

Designated homes and villages' reserves are monies donated and fundraised for the benefit of the residents.

20 ANALYSIS OF NET ASSETS BETWEEN RESERVES

Reserve balances at 31 March 2017 are represented by:

	Unrestricted general reserve £'000's	Unrestricted designated home and village £'000's	Restricted community fee reserve £'000's	Restricted capital grant £'000's	Total reserves £'000's
Tangible fixed assets	56,097	-	-	442	56,539
Current assets	11,421	12	311	-	11,744
Current liabilities	(11,029)	-	-	-	(11,029)
Non-current liabilities	(19,578)	-	-	-	(19,578)
Pension scheme liability	(11,126)	-	-	-	(11,126)
Total net assets	**25,785**	**12**	**311**	**442**	**26,550**

21 GROSS CASH FLOWS

	GROUP 2017 £'000's	GROUP 2016 £'000's
Cash flows from investing activities		
Interest received	16	11
Bank loan and overdraft interest paid	(724)	(839)
Finance charges payable under finance leases	(346)	(454)
Payments to acquire tangible fixed assets	(9,988)	(6,172)
Receipts from sales of tangible fixed assets	20,257	3
	9,215	(7,451)
Cash flows from financing activities		
Finance lease repayments	(157)	(1,934)
Repayments of borrowing	(14,858)	(1,317)
Cash inflows from new borrowing	3,021	3,789
	(11,994)	538

22 ANALYSIS OF CHANGES IN NET DEBT

Group

	At 1 April 2016	Cash Flows	Other Changes	At 31 March 2017
	£000's	£000's	£000's	£000's
Cash in hand, at bank	5,391	3,472	-	8,863
Overdraft	(22)	6	-	(16)
	5,369	3,478	-	8,847
Loans	(22,887)	8,117	-	(14,770)
New Loans	(3,714)	3,714	-	-
Finance leases	(8,044)	2,330	-	(5,714)
Changes in debt	(34,645)	14,161	-	(20,484)
Changes in net debt	(29,276)	17,639	-	(11,637)

23 RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASHFLOW FROM OPERATING ACTIVITIES

	GROUP	
	2017	2016
	£'000's	£'000's
Net movement in funds	12,205	4,466
Pension costs	(745)	(656)
Depreciation	2,150	2,513
Losses / (Gains) on defined benefit pension schemes	2,890	(1,536)
(Surplus) on disposal of fixed assets	(11,385)	(3)
Interest receivable	(16)	(11)
Interest payable	1,353	1,610
(Gains) / Losses on change in fair value of financial instruments	(74)	89
Increase/(Decrease) in bad debt provision	63	(1,290)
Decrease/(Increase) in stock	28	(4)
(Increase)/Decrease in debtors	744	554
Increase/(Decrease) in creditors	(956)	1,316
Net cash provided by operating activities	6,257	7,048

24 COMMITMENT TO CAPITAL EXPENDITURE

At the balance sheet date, the Society had the following commitments to Capital expenditure not provided for in these financial statements:

	GROUP		BELONG	
	2017	2016	2017	2016
	£'000's	£'000's	£'000's	£'000's
Contracted	4,845	7,397	4,899	7,641
Authorised but not contracted	14,127	20,136	14,406	20,415

25 OPERATING LEASES

At 31 March 2017 the total Group and Society's future minimum lease payments under non-cancellable operating leases were:

	GROUP		BELONG	
	2017 £'000's	2016 £'000's	2017 £'000's	2016 £'000's
	Land & Buildings	Land & Buildings	Land & Buildings	Land & Buildings
Amounts due within one year	42	25	42	25
Amounts due between one and five years	151	-	151	-
Amounts due after five years	-	-	-	-

26 RELATED PARTY TRANSACTIONS

The Belong Life Assurance Scheme is open to all permanent employees between the ages of 16 and 70 and not members of the Local Government Superannuation Scheme. Belong Limited is a Corporate Trustee of the scheme. Belong Limited appoints 2 Non-Executive Directors and 3 Executive Directors as representatives of the Corporate Trustee.

There were 4 transactions in the year (2016: 1) for a total amount of £44,000 (2016: £13,000). At the year end £ Nil was still outstanding (2016: £13,000).

27 SUBSIDIARY UNDERTAKINGS

The Group financial statements include Borough Care Services Limited a wholly controlled subsidiary incorporated in the United Kingdom (company number 02603702). The principal activity of the subsidiary charity is the provision of residential accommodation, care and services for the elderly. A second 100% subsidiary, Belong (Construction) Limited, was incorporated on 16 October 2006 in the United Kingdom (company number 05968656). The principal activity of Belong (Construction) Limited is to design and build care facilities for the holding company. There are also three wholly controlled subsidiaries, Belong Villages Limited, Belong at Home Limited and CLS (Wigan) Limited, all of which are currently dormant.

Subsidiary	Net Assets £'000's	Income £'000's	Surplus/(Deficit) £'000's
Borough Care Services Limited	(251)	123	(44)
Belong (Construction) Limited	-	6,280	-
Belong Villages Limited	-	-	-
Belong at Home Limited	-	-	-
CLS (Wigan) Limited	-	-	-

28 POST BALANCE SHEET EVENT

On 17 May 2017 Belong completed on the purchase of a 999 year lease on the land for the development of the apartments at Belong Birkdale for a premium of £722,000.

On 12 June 2017 practical completion was achieved on the construction works for Belong Morris Feinmann. The village opened to its first residents on 20 June 2017.

29 PENSIONS

a. Defined Contribution Scheme

Employees who are not members of the Local Government Pension Scheme are eligible to be part of a stakeholder friendly defined contribution scheme or National Employment Savings Trust scheme. The assets of these schemes are held separately from those of the organisation in independently administered funds.

The amounts payable by the Society to the fund were:

	GROUP		BELONG	
	2017 £'000's	2016 £'000's	2017 £'000's	2016 £'000's
Total paid to the funds	227	310	227	310
Contributions payable to the funds at the year end and included in creditors	26	22	26	22

b. Defined Benefit Schemes – Cheshire Pension Fund and Greater Manchester Pension Fund

The Society is an "Admitted Body" to the Cheshire Pension Fund. A number of the Society's eligible employees are members of that scheme. The subsidiary company, Borough Care Services Limited, is an "Admitted Body" to the Greater Manchester Pension Fund. A number of the company's eligible employees are members of that scheme. The Cheshire Pension Fund and Greater Manchester Pension Fund are part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Funds are administered by Cheshire County Council and Tameside Metropolitan Borough respectively in accordance with the Local Government Pension Scheme Regulations 1997 as amended.

The Schemes are closed schemes and therefore under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

The Funds' assets and liabilities are assessed by the Funds' Independent Actuary every three years with the latest actuarial valuation taking place at 31 March 2016.

The amounts payable by the Society to the fund were:

	GROUP		BELONG	
	2017 £'000's	2016 £'000's	2017 £'000's	2016 £'000's
Total paid to the funds	805	739	627	522

The agreed employer's contribution rate for the Cheshire Pension fund for 2017/18 is 37.0% plus a deficit payment of £699,000. The agreed employer's contribution rate for the Greater Manchester Pension Fund for 2017/18 is 25.3% plus a deficit payment of £154,000.

The Group expects to make total contributions into the Funds of £906,000 during the next 12 months

CHESHIRE PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-17 £000's	31-Mar-16 £000's
Fair value of employer assets	9,185	9,302
Present value of funded obligations	(17,348)	(14,913)
Net pension liability	**(8,163)**	**(5,611)**

The amounts recognised in the Statement of Financial Activities are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Current service cost	(31)	(50)
Interest on Employer Assets	316	274
Interest on Pension Scheme Liabilities	(496)	(486)
	(211)	**(262)**

Amounts recognised in Other recognised gains / (losses):

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Actual return less expected return on pension scheme assets	(405)	249
Experience gains arising on scheme liabilities	(162)	278
Changes in financial assumptions underlying the present value of the scheme liabilities	(2,564)	670
Changes in demographic assumptions underlying the present value of the scheme liabilities	163	-
Actuarial (loss) / gain in pension plan	**(2,968)**	**1,197**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Opening defined benefit obligation	**14,913**	**15,997**
Current Service Cost	31	50
Interest cost	496	486
Contributions by members	7	9
Remeasurement	2,563	(949)
Estimated benefits paid	(662)	(680)
Closing defined benefit obligation	**17,348**	**14,913**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Opening fair value of employer assets	**9,302**	**8,877**
Interest income	316	274
Contributions by members	7	9
Contributions by the employer	627	573
Remeasurement	(405)	249
Benefits paid	(662)	(680)
Closing fair value of employer assets	**9,185**	**9,302**

The major categories of fund assets are as follows:

	Assets at 31-Mar-17 £000's	Assets at 31-Mar-16 £000's
Equities	4,041	4,000
Bonds	4,317	4,558
Property	643	744
Cash	184	0
Total	**9,185**	**9,302**

The principal assumptions at the balance sheet date:

	31-Mar-17 % per annum	31-Mar-16 % per annum
Inflation rate	2.4%	2.1%
Future salary increase rate	2.7%	3.1%
Future pension increase rate	2.4%	2.1%
Expected return on assets	2.5%	3.4%
Discount rate	2.5%	3.4%

Sensitivity analysis
Change in assumptions at 31 March 2017

	Approximate %	Approximate Amount £'000's
0.5% decrease in Real Discount Rate	7.0%	1,254
0.5% increase in Salary Increase Rate	0.0%	34
0.5% increase in the Pension Increase Rate	7.0%	1,212

Mortality

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assessed life expectations on retirement age 65 are:

	Males	Females
Retiring today	22.3	24.5
Retiring in 20 years	23.9	26.5

GREATER MANCHESTER PENSION FUND

The amounts recognised in the balance sheet are as follows:

	31-Mar-17 £000's	31-Mar-16 £000's
Fair value of employer assets	8,028	6,910
Present value of funded obligations	(10,991)	(9,997)
Net pension liability	**(2,963)**	**(3,087)**

The amounts recognised in the Statement of Financial Activities are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Current service cost	(29)	(33)
Total gain included in operating surplus (A)	**(29)**	**(33)**
Interest on Employer Assets	230	220
Interest on Pension Scheme Liabilities	(333)	(325)
Net Return included within interest payable (B)	**(103)**	**(105)**
	(132)	**(138)**

Amounts recognised in Other recognised gains / (losses):

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Actual return less expected return on pension scheme assets	1,160	(261)
Experience gains and losses arising on scheme liabilities	433	170
Changes in assumptions underlying the present value of the scheme liabilities	(1,515)	430
Actuarial gain in pension plan	**78**	**339**

Changes in the present value of the defined benefit obligation are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Opening defined benefit obligation	**9,997**	**10,712**
Current Service Cost	29	33
Interest cost	333	325
Contributions by members	7	7
Remeasurement	1,082	(600)
Estimated benefits paid	(457)	(480)
Closing defined benefit obligation	**10,991**	**9,997**

Changes in the fair value of fund assets are as follows:

	Year to 31-Mar-17 £000's	Year to 31-Mar-16 £000's
Opening fair value of employer assets	**6,910**	**7,258**
Interest income	230	220
Contributions by members	7	7
Contributions by the employer	178	166
Remeasurement	1,160	(261)
Benefits paid	(457)	(480)
Closing fair value of employer assets	**8,028**	**6,910**

The major categories of fund assets are as follows:

	Assets at 31-Mar-17 £000's	Assets at 31-Mar-16 £000's
Equities	6,021	5,044
Bonds	1,285	1,175
Property	401	415
Cash	321	276
Total	**8,028**	**6,910**

The principal assumptions at the balance sheet date:

	31-Mar-17 % per annum	31-Mar-16 % per annum
Inflation rate	2.4%	2.1%
Future salary increase rate	3.2%	3.4%
Future pension increase rate	2.4%	2.1%
Expected return on assets	2.5%	3.4%
Discount rate	2.5%	3.4%

Sensitivity analysis
Change in assumptions at 31 March 2017

	Approximate %	Approximate Amount £'000's
0.5% decrease in Real Discount Rate	7.0%	730
0.5% increase in Salary Increase Rate	0.0%	17
0.5% increase in the Pension Increase Rate	6.0%	709

Mortality

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assessed life expectations on retirement age 65 are:

	Males years	Females years
Retiring today	21.5	24.1
Retiring in 20 years	23.7	26.2

F

APPENDIX F

ISSUER'S FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 AUGUST 2016 AND 31 AUGUST 2017

INDEX TO THE ISSUER'S FINANCIAL STATEMENTS

ISSUER'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

RETAIL CHARITY BONDS

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

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

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.

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.

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

John Tattersall
Chairman
1 December 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

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

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

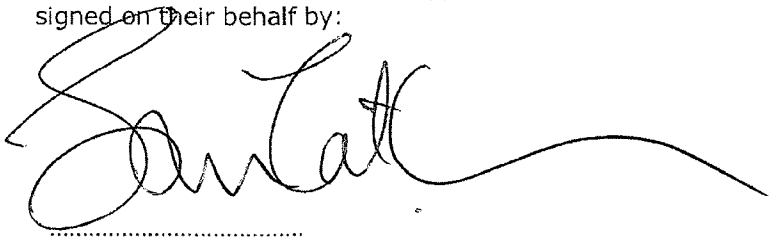
	Notes	Year ended 31 August 2016 £'000	Period ended 31 August 2015 £'000
Turnover	2	37	32
Interest receivable and similar income	4	2,045	941
Interest payable and similar charges	6	(2,045)	(941)
Other income		22	59
Administrative expenditure		(59)	(89)
Profit before taxation		-	2
Tax	7	-	-
Profit and total comprehensive income for the year		-	2

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)
Net current assets		57,487	37,719
Creditors			
Amounts falling due after one year	11	(57,435)	(37,667)
Net assets		52	52
Capital and reserves			
Share capital	12	50	50
Profit and loss account		2	2
Shareholder's funds		52	52

The financial statements were approved by the Directors on 1 December 2016 and were signed on their behalf by:



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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

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

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.

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.

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge in the period	Year ended 31 August 2016	Period ended 31 August 2015
	£'000	£'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	Period ended 31 August 2015
	£'000	£'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	At 31 August 2015
	£'000	£'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	-
	57,435	37,667

The loans to Golden Lane Housing and Hightown Housing Association Limited and Charities Aid Foundation are unsecured (see note 11 for further details).

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	-
	832	513

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
	891	463

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	-
	57,435	37,667

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:

Bond to fund loan to:	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
	57,435	37,667

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).

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
Financial assets:		
Debtors and prepayments	13	27
Accrued interest	769	436
Loans made, measured at amortised cost	57,435	37,667
	58,217	38,130
Financial liabilities:		
Trade creditors	(83)	(3)
Accruals	(25)	(24)
Accrued interest	(769)	(436)
Bonds issued, measured at amortised cost	(57,435)	(37,667)
	(58,312)	(38,130)

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

Financial assets		
Debtors and prepayments	-	-
Accrued interest	-	-
Loans made, measured at amortised cost	2,045	941
	2,045	941
Financial liabilities		
Trade creditors	-	-
Accruals	-	-
Accrued interest	-	-
Bonds issued, measured at amortised cost	(2,045)	(941)
	(2,045)	(941)

ISSUER'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

RETAIL
CHARITY
BONDS

Retail Charity Bonds plc

Financial Statements

for the year ended 31 August 2017

Registered number: 8940313

Retail Charity Bonds plc

Contents of the Financial Statements
for the year ended 31 August 2017

Contents

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

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

Summary and highlights

Results

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

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

Chairman's statement

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

Business model and strategy

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

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

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

Business Review

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

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

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

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

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

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

Financial risk management

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

Interest rate risk

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

Liquidity risk

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

Credit risk

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

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

Operational risks

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

Future outlook

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

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

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

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

Corporate governance statement

Internal control

The Board has established two committees:

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

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

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

By order of the board

John Tattersall
Chairman
5 December 2017

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

Incorporation

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

Principal activities

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

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

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

Independent auditor

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

Directors' remuneration

None of the Directors received any remuneration from the Company.

Directors' insurance

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

(b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

John Tattersall
Chairman
5 December 2017

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

Opinion on financial statements

We have audited the financial statements of Retail Charity Bonds plc for the year ended 31 August 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Accounting for bond issues

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

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

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

Our application of materiality

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

An overview of the scope of our audit

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

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Other matters which we are required to address

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

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

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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

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

7 December 2017

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

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

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

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

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

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

.....
JOHN TATTERSALL - CHAIRMAN

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

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

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

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

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

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

1. GENERAL INFORMATION

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

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

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

ACCOUNTING POLICIES

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

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

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

Basis of preparation

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

Financial instruments

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

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

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

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

Bond issuing costs

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

1. GENERAL INFORMATION (continued)

Going concern

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

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

Turnover

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

Interest receivable

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

Interest payable

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

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

Critical accounting estimates and assumptions

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

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

1. GENERAL INFORMATION (continued)

Critical area of judgement

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

2. TURNOVER

Turnover was all derived from trading in the UK.

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

3. STAFF COSTS

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

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

5. PROFIT AND LOSS ACCOUNT

The profit for the year is stated after charging:

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

6. INTEREST PAYABLE AND SIMILAR CHARGES

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

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

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

8. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

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

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

9. DEBTORS: AMOUNTS DUE AFTER LESS THAN ONE YEAR

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

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

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

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

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

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

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

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

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

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

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

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

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

Loan amounts and repayment details are as follows:

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

The borrowings are due as follows:

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

12. SHARE CAPITAL

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

No shares were issued during the year.

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

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

13. RELATED PARTIES

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

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

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

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

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

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

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

15. POST BALANCE SHEET EVENTS

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

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

16. FINANCIAL INSTRUMENTS

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

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

16. FINANCIAL INSTRUMENTS (continued)

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

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

ISSUER

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TRUSTEE

Prudential Trustee Company Limited
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ISSUING AND PRINCIPAL PAYING AGENT

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REGISTRAR

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SERVICER

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CUSTODIAN

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