PROSPECTUS DATED 10 OCTOBER 2017

Hightown Housing Association Limited

4 per cent. Bonds due 31 October 2027 (including Retained Bonds)

Issued by Retail Charity Bonds PLC

secured on a loan to Hightown Housing Association Limited

MANAGER	**SERVICER**
Peel Hunt LLP	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 per cent. Bonds due 31 October 2027 (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 Hightown Housing Association 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 31 October 2017 (the "**Issue Date**").

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

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

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

Responsibility for the information contained in this Prospectus

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

The Charity accepts responsibility for the information in this Prospectus contained in Section 1 ("*Summary*") (in so far as the information relates to the Charity only), Section 2 (*"Risk Factors - Factors that may affect the Charity's ability to fulfil its obligations under the Loan Agreement*"), Section 3 ("*Description of the Charity*") and Section 4 ("*Information about the Bonds"*) (in so far as the information relates to the Charity only), the information relating to it under the headings "*Use of Proceeds*", "*Material or Significant Change*", "*Litigation*" and "*Auditors*" in Section 10 ("*Additional Information*") and Appendix E ("*Charity's 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 Hightown Housing Association Limited, the borrower under the Loan Agreement. See Sections 3 ("*Description of the Charity*") and 7 ("*Description of Retail Charity Bonds PLC"*).

The Bonds are not protected by the Financial Services Compensation Scheme

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

How to apply

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

After the closing time and date of the offer period (i.e. 12.00 noon (London time) on 24 October 2017) no Bonds will be offered for sale (a) by or on behalf of the Issuer or (b) by any authorised offeror, except with the permission of the Issuer.

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

Queries relating to this Prospectus and the Bonds

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

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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.com Limited or Redmayne-Bentley LLP; (iii) any other financial intermediary appointed after the date of this Prospectus and whose name is published on the Issuer's website (http://www.retailcharitybonds.co.uk/bonds/hightown2017) and identified as an Authorised Offeror in respect of the Public Offer; and (iv) any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") and publishes on its website the following statement (with the information in square brackets being completed with the relevant information): *"We, [insert legal name of financial intermediary], refer to the 4 per cent. Bonds due 31 October 2027 (the "**Bonds**") described in the Prospectus dated 10 October 2017 (the "**Prospectus**") published by Retail Charity Bonds PLC (the "Issuer"). In consideration of the Issuer and Hightown*

		Housing Association Limited (the "Charity") offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom during the period from 10 October 2017 to 12.00 noon (London time) on 24 October 2017 and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer and the Charity in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly." *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 10 October 2017 to 12.00 noon (London time) on 24 October 2017 (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* Hightown Housing Association Limited (the "**Charity**")
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 registered in England as a Community Benefit Society (No. 18077R) and as a Registered Provider of Social

		Housing with the Homes & Communities Agency (No. L2179) and is an exempt charity. It is regulated by the Regulation Committee of the Homes & Communities Agency.
B.5	**If the issuer is part of a group, a description of the group and the issuer's position within the group.**	*Charity* Not applicable. The Charity is not part of a 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 statement of comprehensive income and statement of financial position 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.

Statement of Comprehensive Income			**£'000**
Year Ended 31 March	**2015**	**2016**	**2017**
Turnover (ex Sales)	39,574	42,988	53,373
Operating Costs	(20,925)	(22,830)	(30,811)
Depreciation	(3,434)	(4,677)	(5,164)
Shared Ownership Sales	6,639	7,699	9,412
Cost of Shared Ownership Sales	(5,432)	(6,526)	(7,319)
Surplus on sale of Fixed Assets	2,178	3,190	2,975
Operating Surplus	18,600	19,844	22,466
Interest Receivable	106	1,522	138
Interest Payable	(6,061)	(7,100)	(6,530)
Surplus on ordinary activities for the year after tax	12,645	14,266	16,074

	Statement of Financial Position			**£'000**
	Year Ended 31 March	**2015**	**2016**	**2017**
	Fixed Assets			
	Housing Properties at depreciated cost	425,493	456,851	523,033
	Social Housing Grant	-	-	-
		425,493	456,851	523,033
	Other Tangible Fixed Assets & Investments	8,339	8,310	7,645
	Total Fixed Assets	433,832	465,161	530,678
	Current Assets			
	Stock	2,483	11,290	7,765
	Debtors	3,476	2,942	5,568
	Cash at bank and in hand	9,350	16,536	14,484
	Total Current Assets	15,309	30,768	27,817
	Creditors: Amounts falling due within 1 year	(11,613)	(16,192)	(21,783)
	Net Current Assets	3,696	14,576	6,034
	Total Assets less Current Liabilities	437,528	479,737	536,712
	Creditors: Amounts falling due after more than 1 year	364,995	396,570	437,471
	Provisions for Liabilities and Charges	3,941	290	417
	Capital and Reserves			
	Reserves	68,592	82,877	98,824
	Total Equity & Long Term Liabilities	437,528	479,737	536,712

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* Not applicable. The Charity is not part of a group.
B.15	**Principal Activities**	*Charity* The Charity's main activities are: (i) the provision of social housing, housing management and development, currently managing over 5,300 homes and with a development programme of around 350 new affordable homes each year; and (ii) the provision of housing and support services to approximately 820 service users at any one time,

		including people with special needs, and the delivery of over 30,000 hours of support each week.
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 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 entire issued share capital of the Charity comprises 24 shares. Each member owns one share. Each share carries voting rights.
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**	*Issuer* The Issuer's principal activity is to issue debt securities (such as the

	global overview of the parties to the securitisation programme including information on the direct or indirect ownership or control between those parties.	Bonds) and to lend the proceeds of issue to exempt charities or registered charities in the United Kingdom (such as Hightown Housing Association 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.
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. The Issuer has published audited condensed financial statements for the period from the date of its incorporation on 14 March 2014 to 31 August 2015 and for the year ended 31 August 2016.
B.23	**Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.**	

Issuer

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

Profit and Loss Account

	Period ended 31 August 2015	Year ended 31 August 2016
	£'000	**£'000**
Turnover	32	37
Interest receivable and similar income	941	2,045
Interest payable and similar charges	(941)	(2,045)

Other income	59	22
Administrative expenditure	(89)	(59)
Profit before taxation	2	-
Tax	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2**	**-**

Balance sheet

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

B.24	**A description of any material adverse change in the prospects of the issuer since the date of its last published audited financial statements.**	*Issuer* There has been no material adverse change in the financial position or prospects of the Issuer since 31 August 2016.
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 collateralisati**	*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 31 October 2017 (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 the principal amount of an advance and the relevant Retained Bond Actual Advance Amount shall be ignored in determining the amount of the Loan and, amongst other things, the calculation of interest, principal and any other amounts payable in respect thereof. 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

	on • **Where a valuation report relating to real property is included in the prospectus, a description of the valuation.**	Issuer shall cancel Retained Bonds in a corresponding amount. Such cancellation of the undrawn portion of the Commitment shall take effect upon the cancellation of such Retained Bonds. 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, a requirement to ensure that, as at each relevant testing date, the unencumbered properties and investments, stock and work in progress of the Charity or, if applicable, the Charity's group are not less than 130% of the total unsecured debt of the Charity or, if applicable, the group, as determined by reference to the financial statements of the Charity or, if applicable, the group. *Brief description of the obligor (i.e. the Charity)* The Charity is the sole borrower under the Loan Agreement. The Charity is registered in England as a Community Benefit Society (No. 18077R) and as a Registered Provider of Social Housing with the Homes & Communities Agency (No. L2179) and is an exempt charity. It is regulated by the Regulation Committee of the Homes & Communities Agency. *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 (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.

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<td>B.28</td>
<td>A description of the structure of the transaction, including, if necessary, a structure diagram.</td>
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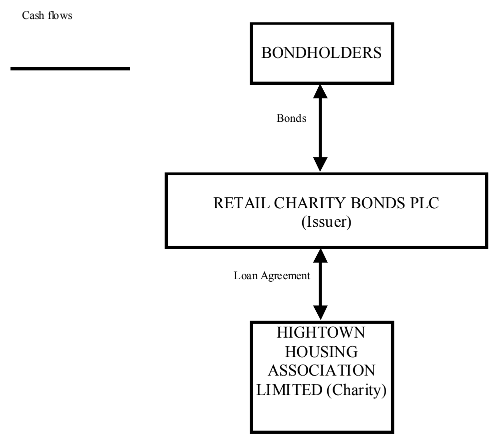

N.B. the proceeds of any Retained Bonds, once sold to any third party from time to time, will be advanced under the Loan Agreement at that time.

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.
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<tr>
<td>B.29</td>
<td>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.</td>
<td>
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.
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B.30	**The name and a description of the originators of the securitised assets.**	*Issuer* The Loan Agreement will be entered into between the Issuer and the 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 Hightown Housing Association Limited and is a Registered Provider of Social Housing, operating principally in Hertfordshire, Buckinghamshire, Berkshire and Bedfordshire.

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 per cent. Bonds due 31 October 2027 (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 XS1695541299 and the Common Code is 169554129.
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 (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** • **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**	*Interest* The Bonds bear interest from their date of issue at the fixed rate of 4 per cent. per annum. The yield of the Bonds is 4 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 30 April and 31 October 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. *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 31 October 2027 (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 31 October 2029 (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**	Not applicable. The rate of interest payable on the Bonds is 4 per cent. per annum and does not contain a derivative component.

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

Section D – Risks

Element	**Title**	
D.2	**Key information on the key risks that are specific to the issuer.**	*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

Element	Title	
		creditworthiness of the Charity for the benefit of the Bondholders. *Charity:* • A large proportion of the rent received by the Charity is derived from housing benefit. Future changes in the legislation relating to housing benefit could have an adverse impact on the payment of rent. The receipt of rental income by the Charity may be delayed by, for example, the failure of the tenant to pay rent which is due. This could affect the ability of the Charity to meet its obligations under the Loan Agreement. • If the Charity's properties are vacant, this could result in a reduction of profitability of the Charity, which may mean that the Charity is unable to repay its liabilities when due, including those under the Loan Agreement. • The Charity could find itself unable to access sources of funding at suitable interest rates. • The Charity is subject to interest rate risk in respect of its variable rate borrowing.
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

Element	Title	
		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		
E.2b	**Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks.**	The proceeds from the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) will be advanced by the Issuer to the Charity pursuant to the Loan Agreement, to be applied by the Charity in furtherance of its charitable objects, including, but not limited to, the acquisition, development and management of housing properties and the provision of specialist support services.
E.3	**A description of the terms and conditions of the offer.**	The Offer is expected to open on 10 October 2017 and close at 12.00 noon (London time) on 24 October 2017 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 27 October 2017 (the "**Subscription Agreement**"), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 27 October 2017 (the "**Commitment Agreement**"); and (iii) the Loan Agreement being signed by the Issuer and the Charity on or about 31 October 2017. The Subscription Agreement will include certain conditions customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and comfort letters from the independent auditors of the Charity satisfactory to the Manager). 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 (see Appendix B ("*Terms and Conditions of the Bonds"*)). The proceeds of the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) described in this Prospectus will be loaned to the Charity under the Loan Agreement to be dated the date of issue of the Bonds. Since the Issuer does not have any general income-producing business, its ability to make payments under the Bonds will depend entirely on the Charity making payments to the Issuer under the Loan Agreement.

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

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

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

Credit risk can be described as the risk that a borrower of money will be unable to repay it. Investors in the Bonds will take credit risk on the Charity. If the Charity becomes unable to pay its debts as they fall due, an investor in the Bonds could lose some or the entire amount of its investment. Accordingly, investors should have regard to the detailed information contained in this Prospectus in relation to the Charity to assess the credit risk of an investment in the Bonds, 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. The forms of such compliance certificate and annual statement of social impact are set out in Appendix D (*"Loan Agreement"*) and Schedule 1 (*"Form of Compliance Certificate"*) and Schedule 2 (*"Form of Annual Statement on Social Impact"*) to the Loan Agreement. In addition, the Charity is required to notify the Issuer of any default under the Loan Agreement promptly upon becoming aware of its occurrence. Investors should note, however, that the Issuer shall not be responsible for reviewing or monitoring the receipt of any such information and that Bondholders will therefore be responsible for reviewing such information and deciding upon a course of action to be taken in relation to it.

The Issuer has agreed to forward such information to Prudential Trustee Company Limited (the "**Trustee**") under the trust deed dated 26 June 2014 as supplemented from time to time and to publish the information received from the Charity from time to time required to be delivered under the Loan Agreement on its website at http://www.retailcharitybonds.co.uk/bonds/hightown2017. 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

Welfare Reform may adversely affect the Charity's income

A large proportion of the rent received by the Charity from its tenants is derived from housing benefit payable by local authorities. If there is a reduction or termination by the Government of housing benefit, then this may accordingly have an adverse impact on the payment of rent, as the tenants would have to pay a higher proportion of the rent themselves.

In the Government's 2015 summer budget (the "**2015 Summer Budget**"), the Government announced a series of welfare reforms which have since been achieved through new legislation, the Welfare Reform and Work Act 2016 (the "**WRW Act**"), which came into force on 1 April 2016. The WRW Act makes provisions on social housing rents, the household benefit cap and social security and tax credits that expose the Charity to the risk of a reduction in rental income and an increase in arrears. The WRW Act also reduced the benefit cap, with effect from autumn 2016, from £26,000 per year (or £18,200 per year for single people) to £23,000 (or £15,410) in Greater London and £20,000 (or £13,400) outside Greater London.

The Charity operates in Hertfordshire, Buckinghamshire, Bedfordshire and the surrounding areas. The Charity's records show that, as of 25 September 2017, 47 residents are affected by the benefit cap. An occupation size criterion for working age tenants occupying social housing and in receipt of housing benefit has been in place since 1 April 2013. The current arrangements allow each of certain defined categories of people (such defined categories being: (a) a couple, (b) an adult (over 16), (c) two children of the same sex, (d) two children under the age of 10, (e) any other child and (f) a non-resident overnight carer) to be entitled to one bedroom. Where a household has one extra bedroom, their housing benefit is reduced by 14 per cent. Where there are two or more extra rooms the reduction is 25 per cent. As at 25 September 2017, the Charity had 91 tenancies affected by the reduction in housing benefit due to under-occupation. 80 of the 91 tenants affected by the reduction are adhering to a regular repayment agreement to make up the shortfall in their rent themselves. The remaining 11 tenants are not adhering to a payment plan, so the rent arrears for these tenancies are increasing. Those tenants who are affected by the under-occupation penalty and are unable or unwilling to move to a smaller house or flat may be at greater risk of falling into rent arrears which will adversely affect the Charity's rent arrear levels and could negatively impact on its ability to meet its repayment obligations under the Loan Agreement. As at 25 September 2017, the Charity's total current arrears balance for affected tenants was £41,187.

The recently introduced universal credit system ("**Universal Credit**") is designed to simplify the benefits system for claimants and administrators and to improve work incentives by supporting people who are on a low income or out of work. Universal Credit has replaced six existing means-tested benefits and tax credits for working-age families, namely income support, income-based jobseeker's allowance, income-related employment and support allowance, housing benefit, child tax credit and working tax credit. Universal Credit is being introduced gradually and was originally scheduled to be completed in 2017. Full roll-out of Universal Credit is now forecast in March 2022.

Universal Credit is based on a single monthly payment, transferred directly into a household bank account of choice. As at 25 September 2017, 52 per cent. of the Charity's tenants were in receipt of part or full housing benefit, paid directly to the Charity and these tenants (and any future such tenants of the Charity) will be impacted by the change.

The Department of Work and Pensions (the "**DWP**") set up a "Direct Payment Demonstration Project", the final evaluation of which was published on 18 December 2014 covering an 18-month period. The projects were carried out in six areas to identify key lessons from the direct payment of housing benefit to social sector tenants. The outstanding conclusion is that the predicted dramatic increase in rent arrears did not occur. Overall, tenants paid 95.5 per cent. of all rent owed compared to 99.1 per cent. for those not on direct payment.

Furthermore, the impact of direct payment lessened significantly over time: half of the total direct payment arrears were accrued in the first month (or four week period) following migration. In the fourth to sixth payment periods, the difference in payment rates had fallen to 2.8 percentage points, falling again in the seventh to ninth payment periods to 1.3 percentage points. By the eighteenth payment, tenants' average payment rate had risen to 99 per cent.

The roll out of Universal Credit is likely to increase transaction costs. The receipt of rental payments by the Charity, as a landlord, may be delayed by the failure of the tenant to: (a) apply for Universal Credit; and/or (b) regularly pay rent which is due in addition to the housing benefit; and/or (c) in circumstances where the housing benefit is not paid directly to the landlord, pass on the housing benefit payments to the landlord. In such circumstances, non-payment, partial payment or any delay in payment of rent could increase rental income arrears and bad debts, and could adversely affect the ability of the Charity to meet its payment obligations on a timely basis to the Issuer pursuant to the Loan Agreement.

It is possible for tenants to consent to their housing benefit being paid directly to their landlord and, furthermore, the DWP has agreed to safeguard landlords' income by putting in place protection mechanisms to allow for the payment of rent direct to landlords if tenants are vulnerable or fall into two months of arrears. However, despite these protections the Charity may still see a reduction in receipt of housing benefit from its tenants.

While existing social tenancies and rent levels remain unchanged, the Localism Act 2011, together with the regulatory framework for providers of social housing in England published in April 2015 (the "**Regulatory Framework**") issued by the Homes and Communities Agency (the "**HCA**" or the "**Regulator**") in its capacity as social housing regulator, introduced a new form of social housing rent level that allows Registered Providers of Social Housing with the Homes & Communities Agency (No. L2179) ("**Registered Providers of Social Housing**") to charge rents up to a maximum of 80 per cent. of the local market rent level on both newly developed stock and on new lettings of a proportion of existing stock as long as a framework agreement is in place with the HCA. This new rent policy is known as affordable rent. There is a risk that those tenants on affordable rent will find it harder to pay their rent and that this risk may have a corresponding effect on the ability of the Charity to meet its payment obligations under the Loan Agreement on a timely basis. As at 31 March 2017, the Charity had 670 properties let at affordable rent levels (12.4 per cent. of all rented properties) and this is expected to rise as long as affordable rents remain an option for new and re-let tenancies.

As a result of the reforms proposed by the Government described above, certain rating agencies published reports which comment on the effect of these reforms. The reports highlight that, in the rating agencies' opinion, changes to the sector and proposed changes to the benefits system are significant. Accordingly, as described above these changes may increase the risks associated with an investment in the Bonds.

The Charity's net social housing rent and service charge arrears at 31 March 2017 were £357,000 after provision. Whilst the Charity has a policy of providing a full provision against former tenant arrears and a phased percentage provision against current tenant arrears to a maximum of 100 per cent., an increase in the level of such arrears may adversely affect the ability of the Charity to meet its payment obligations on a timely basis under the Loan Agreement.

Changes to housing grant rules may adversely affect the Charity

The Charity receives capital grant funding from a variety of sources, including the HCA. Due to the nature of grant funding, there is a risk that the amount of funding available and the terms of grants will vary. Following approval of a grant there is a risk that the HCA may revise the terms of a grant and reduce entitlement, suspend or cancel any instalment of such a grant. In certain circumstances, set out in the 'Capital Funding Guide' and the 'Recovery of Capital Grants General Determination' of the HCA, including but not limited to failure to comply with conditions associated with the grant or a disposal of the property funded by a grant, the grant may be required to be repaid or reused. Any such reduction in, withdrawal of, repayment or re-use of grant funding could adversely impact the Charity, including its future development plans.

Under the 2011-2015 Affordable Home Programme, the level of Government grants for social housing have been reduced significantly. To compensate for this reduction, Registered Providers of Social Housing are able to charge affordable rents on newly developed stock and on new lettings of a proportion of existing stock (see above for an explanation of the affordable rent policy). As affordable rents are generally higher than existing target social housing rents, this additional rental income can be used to service additional funding requirements as a result of the reduced grant levels. The consequence of this policy for Registered Providers of Social Housing is an increase in debt and gearing levels, the scale of which varies depending on the areas of operation.

The 2015-2018 Affordable Homes Programme (the "**New Framework**") was launched in January 2014. In December 2014 the Chancellor announced that the grant programme would be extended to 2020 with additional grants being made available. The primary change brought about under the New Framework is that not all of the available funding has been allocated from the outset. The New Framework will allow bidders the opportunity to bid for the remaining funding for development opportunities as these arise during the programme, where they can be realised within the programme timescales. The grant allocations as published in July 2014 show a reduced overall amount of grant funding being allocated to Registered Providers of Social Housing between 2015 and 2018. This reduction is a natural result of increased competition and the increased need for bidders to comply with agreed timescales.

The reduced amount of capital grant available means the Charity has an increased exposure to rental income and housing benefit risk which could affect its ability to meet its payment obligations on a timely basis under the Loan Agreement.

Failure by tenants to pay rent when due may affect the Charity adversely

The tenants of the Charity's properties are personally responsible for the rental payments on the relevant occupied properties. There is currently a greater risk of non-payment for those tenants who are not in receipt of full or partial housing benefit or housing credit compared to those tenants eligible for housing benefit which is paid by the local authority directly to the landlord. This risk increases if payment of housing benefit directly to tenants becomes the generally applicable position under Universal Credit, as there is a risk that tenants will fail to pass on such housing benefit payments to their landlord. Aside from the risks associated with Welfare Reform set out above (which may be mitigated to an extent by the DWP's planned protection mechanisms allowing for payments to be made directly to landlords if tenants are vulnerable or if they fall into two months of arrears), payments of housing benefit by local authorities may be delayed as a result of, among other things, the need to establish a new claimant's entitlement to housing benefit. The receipt of rental payments by the Charity, as landlord, may also be delayed by the failure of the claimant to pay rent which is due regularly in addition to the housing benefit and/or, in circumstances where the housing benefit is not paid direct to the landlord, a failure to pass on the housing benefit payments to the landlord. The year-end arrears position of the Charity for 2015/16 was 3.1 per cent. and for 2016/17 was 2.6 per cent. of rent due. In the event that tenants fail to pay rent in full on a timely basis, this could also affect the ability of the Charity to meet its payment obligations on a timely basis under the Loan Agreement.

Restriction on rental growth may impact the Charity adversely

In the 2015 Summer Budget, the Government announced that rents for social housing (as defined in Part 2 of the Housing and Regeneration Act 2008) in England would be reduced by 1 per cent. a year for the next four years. This change was introduced on 1 April 2016 pursuant to Section 20 of the Housing and Regeneration Act 2008.

As at 31 March 2017, the Charity owned 3,642 social housing properties (general needs, affordable rents and supported housing tenures) that are impacted by the Government's imposed changes to the rent policy. For the year ended 31 March 2017 net rental income from these tenures was £24,289,281.

The Charity adjusts its rents annually from 1 April each year and therefore the first 1 per cent. rent reduction took place on 1 April 2016 and this will continue annually up to and including 1 April 2019.

The reduction in rental income could have an adverse impact on the Charity's ability to comply with its payment obligations under the Loan Agreement.

Mortgage lenders may take priority in security arrangements on shared ownership tenures

The Charity also generates revenue from its shared ownership programme and is therefore exposed to market risk in relation to housing for sales, including both demand and pricing risks. As at 31 March 2017, 659 of the Charity's units were shared ownership properties which amount to 12.2 per cent. of the Charity's stock. Revenue received from this activity in the year to 31 March 2017 was £3,180,000 from rent and service charges, and £9,412,000 of sales income (5.1 per cent. and 15.0 per cent. of total revenues respectively).

Shared ownership income is generated on the initial part of the property (known as the "first tranche") which is sold to the "shared owner"; on subsequent sales of further portions of the property to the shared owner (known as "staircasings"); and in the form of subsidised rent on the part of the property which the shared owner does not own until the property is fully owned by the shared owner.

There is a risk that if a tenant of a shared ownership property borrows monies through a mortgage from a commercial lender (having obtained consent from the Charity) then that lender's mortgage may take priority ahead of any security arrangements that are in place. However, if that commercial lender were to enforce its security following a tenant defaulting on its mortgage, such lender could "staircase" (i.e. purchase a portion of the freehold property) up to 100 per cent. in order to be able to sell the whole leasehold interest, in which case the Charity as landlord would receive such staircasing payments from the commercial lender. If the price for the full 100 per cent. receivable on sale is not sufficient to meet the principal outstanding (plus 18 months interest and other statutorily permitted costs) then the shortfall will remain as a debt due to the landlord from the defaulting leaseholder. Under current HCA rules, any shortfall not recovered is borne first by the provider of any grant in respect of the property, and thus the Charity is only affected to the extent that the shortfall cannot be covered by grant monies. This situation only applies where shared ownership is grant-funded. If a commercial lender did enforce its security by staircasing up to 100 per cent. and there was such a shortfall, the Charity would no longer receive rent for its retained share of the property which could have an impact upon its rental income and its ability to meet its payment obligations under the Loan Agreement.

Changes to other income streams may adversely affect the Charity

The support services provided by the Charity to residents and service users in its Care and Supported Housing division are funded by revenue grants from Hertfordshire, Buckinghamshire and Bracknell Forest Councils and NHS Clinical Commissioning Groups. Social care funding from County Councils has been subject to substantial cuts in recent years and it is possible that further cuts will be made which will be passed on to providers. There is a risk therefore that the Charity's income from these activities will be reduced and the Charity will have to make staff redundant and meet redundancy costs, any of which could have a negative impact on the Charity's income and its ability to meet its payment obligations under the Loan Agreement.

A downturn in the housing market may adversely affect the Charity

The majority of the properties of the Charity are social rented (general needs, and supported housing), all of which have a limited exposure to the risk of a downturn in the housing market and rental income from these properties provides the major source of the Charity's income. The Charity has not yet developed properties for sale on the open market but the Charity does have exposure to housing market downturn risk through its shared ownership sales, and any disposals made pursuant to its asset management strategy. Any housing market downturn which does adversely affect the Charity's shared ownership sales and any planned sales as part of its stock rationalisation programme (which is a programme of purchase and sale of tenanted and/or leasehold properties as part of the Charity's asset management strategy) could have a negative impact on the Charity's income and its ability to meet its payment obligations under the Loan Agreement. Any housing market downturn could also adversely affect the valuation of the Charity's property portfolio which is securing the existing debt owed by the Charity to other funders. This could mean that the Charity will need to provide further security to such funders from its unencumbered stock, leaving less unencumbered stock available for the Charity to meet its obligations under the Loan Agreement.

Development risks, and changes to the residential property market generally, may adversely affect the Charity

The Charity's strategic plan is to develop approximately 350 new affordable homes each year for the next three to five years at least. This figure may be subject to significant fluctuation upwards or downwards depending on the actual delivery of completed units and future development opportunities and is subject to the usual risks associated with development including those described below. Approximately 900 of these homes are already contracted and under construction. Approximately 80 per cent. of these homes will be for affordable rent and 20 per cent for shared ownership. As with any residential property and development investment, the Charity's development activities are subject to varying degrees of risks. Risks which may impact upon both the rental and shared ownership market and the development of residential properties include the economic environment, higher than foreseen construction costs, the risk of changes to Government regulation, including, but not limited to, regulation relating to planning, building standards, taxation, landlords and tenants and welfare benefits which could both positively and negatively affect tenant and shared ownership demands and market trends in the United Kingdom. Furthermore, the development of existing sites and acquisition of additional sites will be subject to economic and political conditions, the availability of finance facilities and the costs of facilities where interest rates and inflation may also have an effect.

Among other things, these risks may impact upon the expenses incurred by the Charity associated with existing residential properties (including the maintenance of those properties), rental income produced by these properties, the value of the Charity's existing investments, its ability to develop land that it has acquired, its ability to sell properties and its ability to acquire additional sites. This could, in turn, impact upon the Charity's cash flow and its ability to satisfy any covenants which it is required to maintain pursuant to the terms of any financing arrangements, and could accordingly affect the Charity's performance and its ability to meet its payment obligations under the Loan Agreement.

A failure in operations and systems may adversely affect the Charity

Operational risks may result from major systems failure or breaches in systems security (although the Charity has prepared business continuity plans in order to mitigate against this, it is dependent upon its technology in order to deliver business processes) and the consequences of theft, fraud, health and safety and environmental issues, natural disaster and acts of terrorism. These events could result in financial loss to the Charity and affect its ability to meet its loan repayment obligations, including its payment obligations under the Loan Agreement.

Changes in regulation may adversely affect the Charity

The regulation of Registered Providers of Social Housing has undergone significant and recent change.

The Housing and Regeneration Act 2008, as amended by the Localism Act 2011, (the "**Localism Act**") makes provision for the regulation of social housing provision in England. Pursuant to the Localism Act, the HCA acts as the regulator of Registered Providers of Social Housing in England, including the Charity. The HCA exercises its functions as regulator acting through a separate committee established to undertake this regulatory role. The Regulator provides economic regulation for Registered Providers of Social Housing in order to ensure they are financially viable and well governed and to support the confidence of private lenders to provide funds at competitive rates.

The Regulator regulates Registered Providers of Social Housing in accordance with the Regulatory Framework, setting out the standards which apply to Registered Providers of Social Housing. The standards are: "Tenant Involvement and Empowerment", "Home standard", "Neighbourhood and Community", "Value for Money", "Governance and Financial Viability", "Tenancy standard" and the "Rent standard". Registered Providers of Social Housing are expected to comply with the standards and to establish arrangements to ensure that they are accountable to their tenants, the Regulator and relevant stakeholders.

The enforcement by the Regulator of the standards other than those relating to governance and financial viability, rent and value for money is restricted to cases in which there is, or there is a risk of, serious detriment to tenants (including future tenants). The Regulatory Framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

In April 2015 the Regulator published updates to the Regulatory Framework. These provide for changes in the way the Regulator regulates, including asset and liability registers which are aimed to ensure that social housing assets are not put at risk, to protect the public value in those assets and to ensure that the sector can continue to attract the necessary finance to build new homes. The Regulator's intention is to strengthen its expectations of Registered Providers of Social Housing in relation to risk management and planning for adverse events.

The changes are designed to underpin the financial viability of Registered Providers of Social Housing, but it is possible that compliance may result in increased costs. The Regulator will also charge fees to Registered Providers of Social Housing for regulation with effect from 1 October 2017, following the granting of power to charge fees under the Housing and Regeneration Act 2008 and a consultation with Registered Providers of Social Housing which commenced in late 2016.

On 30 October 2015, the Office for National Statistics ("**ONS**") announced that Registered Providers of Social Housing would be reclassified as public corporations. The judgement resulted from measures brought in by the Localism Act and effectively meant that Registered Providers of Social Housing, and their estimated £60 billion of debt, are now part of the public sector. The Government quickly made a commitment to deregulation of the sector to reverse the classification: in a speech on 5 November, 2015 the Secretary of State said that the ONS decision was a technical matter and that the Government intended to restore the classification outside the public sector.

The changes to the Regulator's powers, which are now part of the Housing and Planning Act 2016 and which came into force on 6th April, 2017, include:

- removal of all requirements for Regulator consents to disposals of land;

- removal of the requirement for consents for constitutional changes, restructurings and mergers;
- removal of certain consent requirements relating to dissolution or winding up;
- removal of the Disposal Proceeds Fund (the "**DPF**") for future accruals, with a transitional regime for funds currently held within the DPF; and
- restrictions upon the powers of the Regulator to appoint board members to a board to circumstances where that would be required to ensure compliance with legal requirements.

The consent requirements have been replaced by new notification requirements in relation to the disposals of social housing dwellings, changes to governing documents, changes of name and address, certain restructures, dissolution and company arrangement and reconstructions. Any breach of new or existing regulations could lead to the exercise of the Regulator's statutory powers (for example, the issue of an enforcement notice requiring the Charity to take a specific action, the issue of a penalty notice imposing a fine on the Charity, the appointment of a new manager or new officers of the Charity or an order restricting the dealings of the Charity). The Regulator publishes guidance on how it regulates. It adopts a proportionate approach with an emphasis on self-regulation and co-regulation. Whilst, in practice use of statutory powers is rare, serious non-compliance with the economic standard may also lead to a downgrade of the Regulator's published regulatory judgement and agreement with the Regulator of the corrective action to be taken. Any such intervention by the Regulator in respect of the Charity may affect the ability of the Charity to meet its payment obligations under the Loan Agreement and could trigger an event of default under its other loan agreements.

In May 2016, the Regulator published a regulatory judgement for the Charity which concluded that both the viability and governance standards were met and the Regulator graded the Issuer "G1", meaning that the Charity meets the Regulator's governance requirements, and "V1", meaning that the Charity meets the Regulator's viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

The nature and extent of regulation could continue to change in the future and impose restrictions on the ability of the Charity to diversify and expand its business which could adversely affect its long-term business planning and limit its potential to manage and protect its future financial stability and growth.

The Charity's care and support business operates in a highly regulated environment. The provision of services by the Charity are subject to a high level of regulation and oversight by the Care Quality Commission (the "**CQC**"). Inspections by CQC regulators can be carried out on both an announced and unannounced basis depending on the specific regulatory provisions relating to the social care services the Charity provides. A copy of each inspection report, once completed, is available to the public and is published on the website of the CQC regulator. A failure to comply with government regulations, the non-compliance of any service with regulatory requirements or the failure of the Charity to cure any areas of non-compliance noted in an inspection report could result in reputational damage, fines, the cancellation of the registration of any facility or service. In the last few years, the CQC has adopted a substantially increased level of robustness in its inspection process. Any failure to comply with applicable regulations could lead to substantial penalties, including the loss of registration certificates necessary for it to continue to operate as a care provider. This could result in the loss of contracts and might have a material adverse effect on business, results of operations, financial condition or prospects of the Charity.

Any future changes in the regulatory landscape could also lead to increased costs for the Charity which could, in turn, adversely impact on the ability of the Charity to meet its payment obligations under the Loan Agreement.

A failure to comply with laws and compliance requirements could adversely affect the Charity

The Charity knows the significance to its operations of, and is focused on, adhering to all legal and compliance legislation. The Charity is not currently aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of regulatory laws, or material failure to comply with corporate, employee or taxation laws that have not already been reported and accounted for. If any of this were to occur in the future, this could have an adverse impact on the Charity's results of its operations and, in turn, the ability of the Charity to meet its payment obligations under the Loan Agreement. To date, litigation claims made against the Charity have not had a material impact on the revenue or business of the Charity, although there can be no assurance that the Charity will not, in the future, be subject to a claim which may have a material impact upon its revenue or business. Furthermore, the Charity has the benefit of insurance for, among other things, employer's liability, public liability and professional indemnity at a level which the management of the Charity considers to be prudent for the type of business in which the Charity is engaged and commensurate with Registered Providers of a similar size. Such insurance may not however be adequate for the Charity's business and in such event claims may have a material impact upon the Charity's revenue or business.

The Charity may be unable to continue to rely on existing sources of financing and its financing costs may be affected by changes to interest rates

The Charity currently relies on capital financing largely through committed loan facilities from secured term loans and revolving credit facilities. The Charity could find itself unable to access or retain sources of funding at suitable interest rates and maturities if bank lines become unavailable to the Charity (for example, if banks are unable to provide new facilities, or extend existing facilities, or are unable to meet commitments to provide funds under existing committed lines), or if it was unable to access the public and private debt markets (for example, because its financial position had deteriorated).

At 31 March 2017, the Charity had £112,000,000 of undrawn and committed bank funding lines of which £33,680,405 was fully secured and immediately available. Legal work to charge security for the remaining loan facilities is in progress.

The Charity is subject to the risk of a change in interest rates in respect of its variable rate borrowing. The Charity monitors its exposure to interest rate risk through The Risk & Audit Committee and the Board.

The hedging strategy is regularly reviewed by The Risk & Audit Committee who set the strategy with regard to interest rate volatility and uncertainty, through a balance of fixed, floating and index linked debt. At 31 March 2017 43.5 per cent. of the Charity's borrowings were at fixed rates of interest (40.2 per cent. excluding callable debt).

The borrowing from this Bond issue will increase the amount of debt held at fixed rates of interest.

The Charity participates in a number of pension schemes which are in deficit and it may be required to make additional payments

The Charity participates in a number of pension schemes and depending on the performance of those schemes, it may be required to make additional payments into the schemes. All of the defined benefit schemes are currently in deficit. Total pension costs for the Charity in the year ended 31 March 2017 amounted to £627,000, 1.0 per cent of turnover.

There are four active pension schemes:

- Social Housing Pension Scheme;
- Pensions Trust Growth Plan;
- Local Government Pension Scheme; and
- NHS pension scheme.

*The Social Housing Pension Scheme ("**SHPS**")*

This is administered by the Pensions Trust. Within the SHPS, there are three Defined Benefit structures and one Defined Contribution structure (as defined below).

SHPS Defined Benefit Schemes

The three Defined Benefit schemes are:

- Final Salary (22 current employees at 31 March 2017);
- Career Average Revalued Earnings with a 1/60th accrual (23 current employees at 31 March 2017; and
- Career Average Revalued Earnings with a 1/80th accrual (19 current employees at 31 March 2017).

The Charity closed these schemes to new entrants on 1 November 2013.

The SHPS is an industry-wide multi-employer scheme. It is not possible in the normal course of events, to identify the underlying assets and liabilities attributable to the Charity and other employers.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Deficit contributions relating to specific Tiers (i.e. assessments of deficit contributions made at specific points in time).

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7 per cent. each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7 per cent. each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0 per cent. each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0 per cent. each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement, the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.33 per cent. (2016: 2.06 per cent.). The unwinding of the discount rate is recognised as a finance cost.

The Charity has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2016. At this date the estimated employer debt for the Charity was £33,553,231 (30 September 2015: £25,952,397).

SHPS Defined Contribution scheme

From 1 November 2013, all new qualifying employees of the Charity are auto-enrolled into a Defined Contribution scheme with SHPS. At 31 March 2017 there were 668 contributing members.

The performance risk on this pension scheme fund is met by the employees and there is no risk of additional payments required from the Charity.

The Pensions Trust Growth Plan

The Charity participates in The Pensions Trust Growth Plan. This was the Charity's Additional Voluntary Contributions (AVC) scheme prior to auto-enrolment in November 2013. A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3 per cent. each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3 per cent. each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3 per cent. each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.32 per cent. (2016: 2.07 per cent.). The unwinding of the discount rate is recognised as a finance cost.

The Charity has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt for the Charity was £75,279.

The 2011 valuation revealed a deficit of £148m (84.1 per cent. funded). Under the deficit recovery plan the Charity is required to pay £5,563 per annum rising by 3 per cent. per annum compound for a further 12 years from 1 April 2017.

*The Local Government Pension Scheme ("**LGPS**")*

This scheme is administered by Buckinghamshire County Council ("**BCCPF**"). The Charity participates in this LGPS by virtue of staff who transferred under Transfer of Undertakings (Protection of Employment) provisions ("**TUPE**"). At 31 March 2017 there was one active member.

Contributions are set every three years as a result of the actuarial valuation of the fund required by the Local Government Pension Scheme Regulations 2013 (the "**Regulations**"). The next actuarial valuation of the fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the Regulations but the contributions are generally set to target a funding level of 100 per cent. using the actuarial valuation assumptions.

On an employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the Regulations, which will determine the termination contribution due by the Charity, on a set of assumptions deemed appropriate by the fund actuary.

In general, participating in a defined benefit pension scheme means that the Charity is exposed to a number of risks:

- Investment risk. The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long -term, the short-term volatility can cause additional funding to be required if a deficit emerges;

- Interest rate risk. The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way;

- Inflation risk. All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the BCCPF, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit employers e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

The Charity paid employer's contribution to the fund during the year ended 31 March 2017 amounting to £5,694 (2016: £5,748) at a contribution rate of 20.1 per cent. (2016: 20.1 per cent.) of pensionable salaries.

NHS Pensions

The NHS scheme applies to staff who transferred to the Charity under TUPE arrangements. At the 31 March 2017, there were 13 active members in the NHS scheme who transferred to the Charity under TUPE arrangements when services were transferred to the Charity. The NHS scheme is an unfunded Government scheme and no pension fund deficit liability arises to the Charity.

General

There may be certain circumstances in which the Charity as sponsoring employer is required to make good the funding deficits of the defined benefit schemes.

Certain forms of restructuring may result in circumstances in which a funding deficit has to be met. For example, a transfer of engagement or a transfer under TUPE could trigger a net pension liability. However the Charity would consider the implications of any such proposals carefully and wherever possible ensure that any such restructurings are organised to avoid pension liabilities crystallising.

The regulator of pensions (known as the Pensions Regulator) may require certain parties to make contributions to certain pension schemes that have a deficit through the issue of a financial support direction. If such a direction was served on SHPS or the Charity, it would have a negative impact on the cashflows of the Charity and if the amount required was material this could impact on the Charity's ability to meet payment obligations on a timely basis, which could impact on the ability of the Charity to comply with its obligations under loan agreements.

Any requirement to make good any funding deficit or make other contributions to such pension schemes, could have a negative impact on the Charity's ability to meet its payment obligations under the Loan Agreement.

Risks relating to withdrawal of the UK from the European Union

On 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Charity including the impact on the Charity's investments and development plans (see "*A downturn in the housing market may adversely affect the Charity*" and "*Development risks, and changes to the residential property market generally, may adversely affect the Charity*") and the impact on the Charity's sources of funding (see "*The Charity may be unable to continue to rely on existing sources of financing and its financing costs may be affected by changes to interest rates*"). As such, no assurance can be given that such matters would not adversely affect the ability of the Charity to satisfy its payment obligations under the Loan Agreement and/or the market value and/or the liquidity of the Bonds in the secondary market.

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 31 October 2029 (the "Legal Maturity Date")

The Loan Agreement will provide for repayment of the loan by the Charity on 31 October 2027 (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 31 October 2027 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 31 October 2029 (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, there may be an adverse effect on the amount of principal or interest receivable by Bondholders under the terms of the Bonds.

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

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

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

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

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

In addition, even if the Issuer does satisfy the conditions to be taxed in accordance with the Securitisation Regulations, in certain limited circumstances taxes which are due from but remain unpaid by persons connected with the Issuer for certain tax purposes (such as Holdings, persons who control Holdings, and persons controlled by any of them) may become payable by the Issuer, which could adversely affect its ability to make payments on the Bonds and may result in investors receiving less interest and/or principal than expected.

Withholding tax on the Bonds

Provided that the Bonds 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 ("*Taxation"*) of Appendix B ("*Terms and Conditions of the Bonds"*) the Issuer shall withhold or deduct from any such payments any amounts on account of tax where so required by applicable law. Neither the Issuer nor any other person is required to make any "gross up" payments or otherwise compensate the Bondholders in respect of any withholding tax applied in respect of payments on the Bonds.

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

Change of law

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

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risk and exchange controls

The Issuer will pay principal and interest on the Bonds in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Bonds, and (3) the Investor's Currency-equivalent market value of the Bonds.

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

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

You may hold the Bonds through Euroclear UK & Ireland Limited (formerly known as CREST Co Limited) ("**CREST**"). CREST allows bondholders to hold bonds in a dematerialised form, rather than holding physical bonds. Instead of issuing physical bonds, CREST issues what are known as 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

Incorporation and Regulatory

Hightown Housing Association Limited (the "**Charity**") was incorporated on 19 July 1967 as Hightown Housing Society and is an exempt charity registered in England with limited liability as a charitable community benefit society under the Co-operative and Community Benefit Societies Act 2014 (with registered number 18077R). It is registered as a Registered Provider of Social Housing with the Homes and Communities Agency (the "**Regulator**") (with registered number L2179). The registered address of the Charity is Hightown House, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 4HX.

The Charity is regulated by the Homes and Communities Agency which monitors its governance, financial viability and the quality of service provided and has extensive powers to intervene in its affairs. The Charity's care and supported housing activities are also subject to regulation by the Care Quality Commission and by County Council commissioners.

As a registered charitable community benefit society the Charity is exempt from registration with, and regulation by, the Charity Commission but nevertheless has charitable status and must comply with the charity law of England and Wales. Although the organisation is run as a business, any surplus is reinvested back into the organisation, principally to finance the provision of new properties.

Background and History

The Charity is the result of a number of mergers of small housing associations from west Hertfordshire which had been formed in the late 1960s and early 1970s to help address the homeless and affordable housing problems of that era – problems that had been highlighted by the 'Cathy Come Home' television drama/documentary. The principal mergers were between Hightown Housing Association from Hemel Hempstead and Praetorian Housing Association from St. Albans in 1995, and between Hightown Praetorian Housing Association and St. Albans and District Churches Housing Association in 2003.

The Charity has grown considerably since 2003, largely as a result of an active, new-build development programme and the number of homes developed by the Charity has increased by the delivery of 1,513 new units in the last 5 years. The Charity has always been a provider of care and support to vulnerable people as well as a social landlord and in 2016 the Charity took over contracts from Radian Support Limited providing care to clients in Buckinghamshire and Bracknell Forest. The Charity changed its registered name from Hightown Praetorian & Churches Housing Association Limited to Hightown Housing Association Limited in 2015.

The Charity currently has no subsidiaries.

Business Description and Principal Activities

The Charity operates in Hertfordshire, Buckinghamshire, Berkshire and Bedfordshire with its head office located on the Maylands Business Park in Hemel Hempstead.

The Charity currently manages over 5,300 homes and employs about 670 full time equivalent staff. As at 31 March 2017, the Charity had an annual turnover of £63 million and total fixed assets of £531 million.

The Charity aims to be an excellent provider and manager of housing and support services and to develop high quality new homes to meet the urgent need for additional affordable housing.

The Charity has three main functional activities:

- It is a social landlord managing over 5,300 units of housing of which 3,254 are affordable homes for rent, 541 are supported housing units, 659 are homes for shared ownership, 717 are leasehold homes, 195 are managed for other entities, eight are nursing bed spaces and 12 are held for development;

- It is a provider of housing and support to people with support needs including people with learning disabilities and mental health problems, young people and homeless people (supporting approximately 820 service users at any one time and providing over 30,000 hours of support a week); and

- It is an active developer of new affordable housing at a rate of approximately 350 new homes a year although this figure may be subject to significant fluctuation upwards or downwards depending on timings and the usual risks associated with development including those described in Section 2 ("*Risk Factors*"). At 31 March 2017 it had 906 units under development.

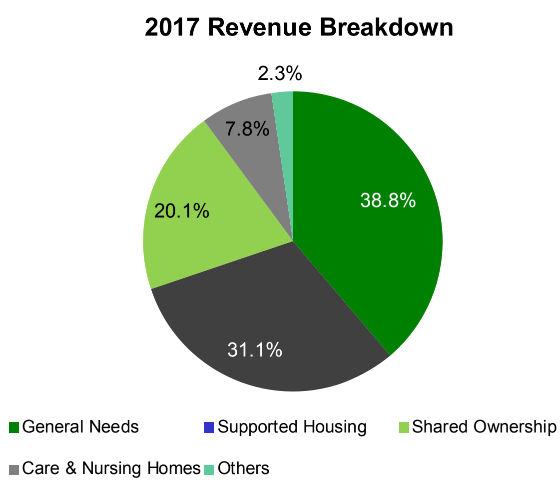
Business Plan

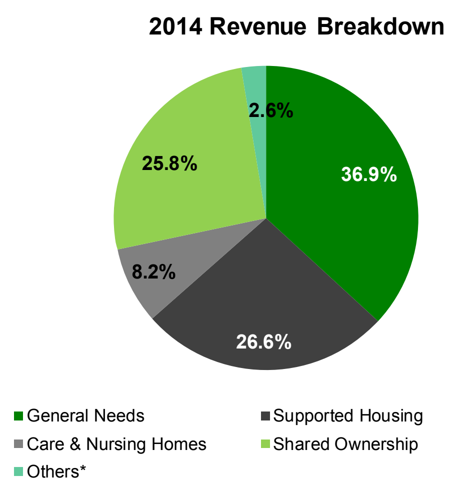
The Charity's revenue is mostly generated by the provision of social housing accommodation and specialist landlord services. These include:

- Rental revenues from General Needs, Supported Housing and Care & Nursing Homes, which account for approximately 77.6 per cent. of the revenue;

- Shared Ownership Rental and Sales which account for approximately a further 20.1 per cent. of the revenue; and

- The remaining 2.3 per cent. ('Others') includes Management Services and Charity Shop Revenues.





Products and Services

The Charity provides accommodation and other housing related services through a number of different products and services:

(a) General Needs Housing;

(b) Supported & Sheltered Housing;

(c) Intermediate Rent, Key Worker & Rent to Homebuy;

(d) Shared Ownership;

(e) Registered Care & Nursing Homes; and

(f) Leasehold Management.

Use of Proceeds

The Charity will use the proceeds of the issues of the Bonds for general corporate purposes, including, but not limited to, the development of new social housing stock.

Financial Summary

The Charity has consistently generated an improving cash surplus after interest and has £98.8 million of retained reserves as at 31 March 2017.

The 30 year business model is reviewed by the housing regulator each year for reasonableness and robustness, with a view on the assumptions used.

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

Statement of Comprehensive Income					**£'000**
Year Ended 31 March	**2013**	**2014**	**2015***	**2016***	**2017***
Turnover (ex Sales)	32,645	36,014	**39,574**	**42,988**	**53,373**
Operating Costs	(18,903)	(19,295)	**(20,925)**	**(22,830)**	**(30,811)**
Depreciation	(2,696)	(3,278)	**(3,434)**	**(4,677)**	**(5,164)**
Shared Ownership Sales	11,026	9,282	**6,639**	**7,699**	**9,412**
Cost of Shared Ownership Sales	(10,501)	(8,356)	**(5,432)**	**(6,526)**	**(7,319)**
Surplus on sale of Fixed Assets	48	1,068	**2,178**	**3,190**	**2,975**
Operating Surplus	11,619	15,435	**18,600**	**19,844**	**22,466**
Interest Receivable	96	175	**106**	**1,522**	**138**
Interest Payable	(5,024)	(6,072)	**(6,061)**	**(7,100)**	**(6,530)**
Surplus on ordinary activities for the year after tax	6,691	9,538	**12,645**	**14,266**	**16,074**

*** Accounts prepared under FRS 102**

Statement of Financial Position **£'000**

Year Ended 31 March	2013	2014	2015*	2016*	2017*
__Fixed Assets__					
Housing Properties at depreciated cost	361,092	390,920	**425,493**	**456,851**	**523,033**
Social Housing Grant	(139,639)	(142,419)	**-**	**-**	**-**
	221,453	248,501	**425,493**	**456,851**	**522,033**
Other Tangible Fixed Assets & Investments	8,191	7,979	**8,339**	**8,310**	**7,645**
Total Fixed Assets	**229,644**	**256,480**	**433,832**	**465,161**	**530,678**
__Current Assets__					
Stock	3,749	1,886	**2,483**	**11,290**	**7,765**
Debtors	2,202	3,074	**3,476**	**2,942**	**5,568**
Cash at bank and in hand	7,186	16,449	**9,350**	**16,536**	**14,484**
Total Current Assets	13,137	21,409	**15,309**	**30,768**	**27,817**
Creditors: Amounts falling due within 1 year	(9,567)	(10,505)	**(11,613)**	**(16,192)**	**(21,783)**
Net Current Assets	3,570	10,904	**3,696**	**14,576**	**6,034**
Total Assets less Current Liabilities	**233,214**	**267,384**	**437,528**	**479,737**	**536,712**
Creditors: Amounts falling due after more than 1 year	189,393	214,191	**364,995**	**396,570**	**437,471**
Provisions for Liabilities and Charges	253	240	**3,941**	**290**	**417**
__Capital and Reserves__					
Reserves	43,568	52,953	**68,592**	**82,877**	**98,824**
Total Equity & Long Term Liabilities	**233,214**	**267,384**	**437,528**	**479,737**	**536,712**

*** Accounts prepared under FRS 102**

The financial statements in Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2017, 31 March 2016 and 31 March 2015*") have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012/2015 (as relevant).

Property Portfolio

The areas where the Charity operates are generally located in the counties just outside London, as further detailed below. The property portfolio is concentrated across a relatively small number of local authorities, which the Charity believes gives it cost efficiencies. The local authority waiting lists for social housing in Hertfordshire and Buckinghamshire remains high, which ensures high occupancy rates for the Charity's accommodation.

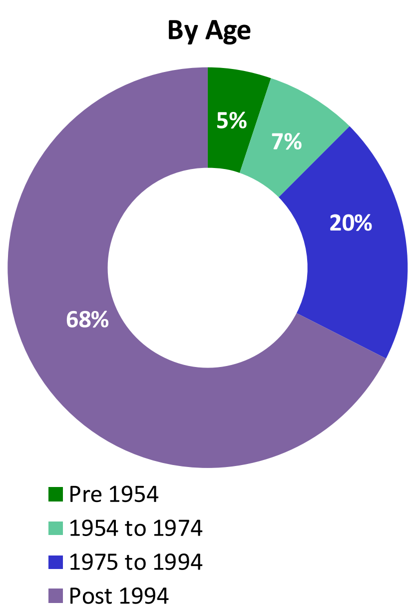
Charity's Areas of Operation

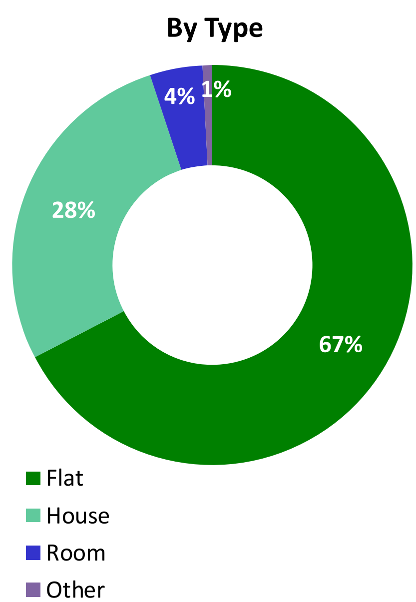
Local Authority **(As at 31 March 2017)**	**No. of Units**	***% of portfolio***
Dacorum	1,570	29.2%
St Albans	1,278	23.7%
Aylesbury Vale	522	9.7%
Hertsmere	391	7.3%
Watford	303	5.6%
Central Beds	240	4.5%
North Herts	208	3.9%
Three Rivers	174	3.2%
Chiltern	170	3.2%
Broxbourne	140	2.6%
East Herts	128	2.4%
Stevenage	90	1.7%
Wycombe	87	1.6%
Welwyn Hatfield	46	0.9%
Milton Keynes	27	0.5%
LB Hillingdon	12	0.2%
Total	**5,386**	100.0%

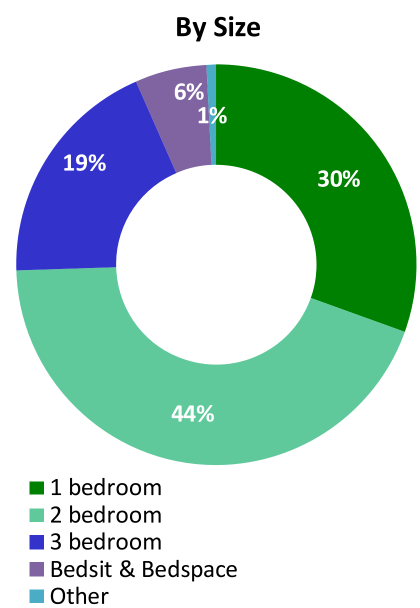
As at 31 March 2017, the Charity had a £560m property portfolio (at gross historic cost) which comprises mainly flats and houses, most of which have been acquired since 1974.

Below is a summary of the existing property portfolio by size, which has been extracted from the management database of its property portfolio held and administered by the Charity (as at 31 March 2017).

Number of bedrooms	Flat	House	Room	Other	Total
1 Bedroom	1,628	11	-	-	1,639
2 Bedrooms	1,854	522	-	-	2,376
3 Bedrooms	63	813	-	-	876
4 Bedrooms	-	141	-	-	141
Bedsit & Bedspaces	83	-	228	-	311
Other	-	-	-	43	43
Total	**3,628**	**1,487**	**228**	**43**	**5,386**







	2013	2014	2015	2016	2017	House Mark 2016 top 25%[2]
Tenant Satisfaction – Overall[1]	Na	83%	Na	84%	Na	88%
Tenant Satisfaction – Repairs[1]	Na	80%	Na	81%	Na	80%

Void Loss	0.44%	0.49%	0.47%	0.51%	0.4%	0.47%
Average re-let days	13 days	14 days	15 days	15 days	15 days	18 days
Arrears	4.06%	3.99%	3.70%	3.10%	2.60%	2.70%

[1]Source: Tenant surveys undertaken every two years

[2] Source: HouseMark G15 Core Benchmarking Schedules 2015/2016

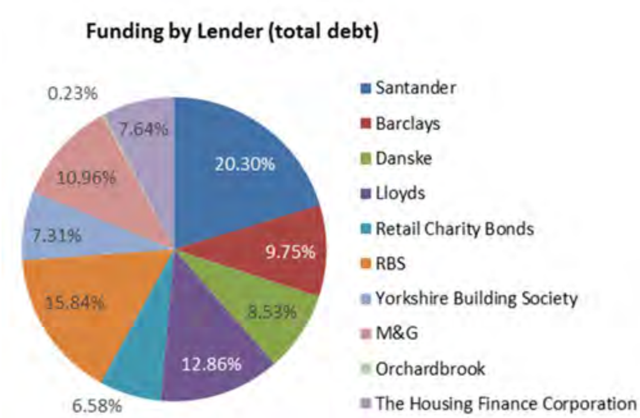
The table above contains certain data and metrics which the Charity considers constitute Alternative Performance Measures ("**APMs**") as defined in the European Securities and Markets Authority Guidelines on APMs. A definition, explanation and rationale for inclusion of the following APMs have been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

Metric	**Definition**	**Reconciliations (where relevant)**	**Rationale for inclusion**
Arrears as a percentage of rent due – General Needs properties	A measure to express the level of rent arrears as a percentage of total rent due	None*	Provides a measure of potential losses of rental income due to non-payment by General Needs tenants based on a sector-wide HouseMark standard definition
Void loss – General Needs properties	A measure to express the level of void loss as a percentage of total rent due	None*	Provides a measure of potential losses of rental income due to General Needs vacancy based on a sector-wide HouseMark standard definition

* This measure is calculated by the Charity on a basis that is consistent with the accounting policies applied by the Charity in its financial statements prepared in accordance with FRS 102 and the Statement of Recommended Practice Accounting and Reporting for Registered Social Housing Providers (SORP 2014).

Debt Facilities

As at the 31 March 2017 the Charity had total facilities £412m with £300m drawn. The facilities are provided by a range of diverse lenders.



Board

The Board members of the Charity are named below (all of whom are non-executive and unpaid) and their principal activities outside the Charity, where these are significant to the Charity, are as follows:

Name	Current Employment	Relevant Outside Activities
Oliver Burns *Vice Chair*	Retired (Former Finance Director)	
Steve Johnson	Retired (Former Property Professional)	
Cliff Hawkins	Retired (Former Property Fund Manager)	Co-opted member of the Estate Committee of Trust for London Fellow of the Royal Institution of Chartered Surveyors (retired, non-practicing)
Tony Keen	Retired (Former Business Consultant)	
Frances Kneller	Self-employed Housing Consultant	Fellow of the Chartered Institute of Housing
Bob Macnaughton *Chairman of the Board*	Member of the Advisory Board, North and East London Commissioning Support Unit	Member of the Institute of Chartered Accountants in England and Wales
Andrew Rose	IT Director for Lloyds Banking Group	Director of St Albans Enterprise Agency Limited Director of St Albans Property Services
James Steel *Vice Chair*	Commercial Consultant to the Cabinet Office	Director Ahli United Bank (UK) Plc Governor of University of Hertfordshire Trustee of Parochial Charities
Cordelia Pace *Co-opted board member*	Senior Legal Counsel, E&P (UK), INEOS	

Sarah Pickup *Co-opted board member*	Deputy Chief Executive at the Local Government Organisation	Member of the Chartered Institute of Public Finance and Accountancy

The business address of each of the Board members is Hightown House, Maylands Avenue, Hemel Hempstead, Herts HP2 4XH.

There are no potential conflicts of interest between any duties of the Board members of the Charity and their private interests and/or other duties.

Corporate Governance and Committees

The Board reported in the Charity's Annual Report and Financial Statements for the year ended 31 March 2017 (the "**Annual Report**", see Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2017, 31 March 2016 and 31 March 2015*")) that the Charity has policies and procedures to demonstrate compliance with the National Housing Federation's ("**NHF**") Excellence in Standards of Conduct - Code for Members 2012. It also reported that the Charity complies with the principal recommendations of the NHF Excellence in Governance: Code for Members 2015.

The Board is responsible for the Charity's strategy and policy framework. The Board is the governing body of the Charity and sets the strategic direction of the Charity and monitors performance. Specific responsibilities have been delegated to certain committees, which have their own approved terms of reference. There are four committees supporting the Board and their governance arrangements are as follows:

Operations Committee: consists of a minimum of three Board members plus up to four co-opted members who bring experience of operations service provision of the type provided by the Charity. It normally meets four times per year. It monitors and reviews the services provided by the Charity to its general needs, care and supported housing residents and others and reports back to the Board.

The Risk and Audit Committee: consists of a minimum of three Board members and up to two co-opted members. It meets at least three times per year and when necessary. It monitors and reviews the major risks of the Charity and provides oversight of the internal and external audit functions. It reviews the effectiveness of the Charity's internal control systems and makes recommendations to the Board on audit practice and on the appointment of the internal and external auditors.

Development Committee: consists of a minimum of three Board members and up to two co-opted members and meets four times per year and when necessary. It monitors and reviews the Charity's development strategy and programme and reports its conclusions and recommendations to the Board. The Committee has delegated authority to approve smaller s106 local authority planning agreement development proposals and makes recommendations to the Board regarding all projects where either the Charity is the developer or where the cost of a s106 project is above £5m.

Remuneration and Nominations Committee: consists of a minimum of three Board members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the membership of the Board and Committees. It also makes recommendations to the Board on the remuneration and conditions of service of the Chief Executive and Directors of the Charity and on the key terms of employment and remuneration of the Charity's staff.

Internal Control Systems

The Charity's Board is ultimately responsible for ensuring that the Charity maintains a system of internal control that is appropriate to the business environments in which it operates. The system of internal control is designed to manage, rather than eliminate, the risk, to achieve business objectives, and to provide reasonable, but not absolute assurance, against material misstatement or loss.

In meeting its responsibilities, the Charity's Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Charity is exposed. The process of identifying, evaluating and managing the significant risks faced by the Charity is on-going. The Board has established a set of key policies and strategies that are regularly reviewed.

The arrangements adopted by the Board in reviewing the effectiveness of the system of internal controls, together with some of the key elements of the control framework are categorised in its Annual Report, as follows:

Identifying and evaluating key risks: The Charity’s risk management strategy underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility of the identification, evaluation and control of significant risks. The executive directors regularly consider reports of these risks and the Chief Executive is responsible for reporting to the Board of any significant changes affecting key risks.

Control environment and internal controls: The processes to identify and manage the key risks to which the Charity is exposed are reviewed annually and revised where necessary. This will include strategic planning, the recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets in key areas including health and safety, data protection, fraud prevention and detection and environmental performance.

Information and reporting systems: Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board and monitored throughout the year by the Risk and Audit Committee. The Committees regularly receive reports on key performance indicators to assess progress toward the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board throughout the year and Board members have access to monthly reports from the executive team.

Monitoring arrangements: Regular management reporting on control issues is supplemented by regular reviews by the internal audit which provides independent assurance to the Board, via its Risk and Audit Committee. The arrangements include a rigorous procedure, monitored by the Risk and Audit Committee, for ensuring that corrective action is taken in relation to any significant control issues.

Fraud register: The Board reviews the fraud register annually. A copy of the fraud register is also provided to the Regulator.

Executive Management Team

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

Name	**Current Position**	**Relevant Outside Activities**
David Bogle	Chief Executive	Chair of Hertfordshire Housing Conference Ltd

David Skinner	Director of Financial Services	Fellow of Chartered Association of Certified Accountants Fellow of Association of Corporate Treasurers
Andrew Royall	Director of Development	
Susan Wallis	Director of Operations	
Dave Black	Director of Care and Supported Housing	
Mark Carter	Director of Business Transformation	

The business address of each of the Executive Team is Hightown House, Maylands Avenue, Hemel Hempstead, Herts HP2 4XH.

There are no potential conflicts of interest between any duties of the Executive Team members of the Charity and their private interests and/or other duties.

Share Capital and Major Shareholders

As at 31 March 2017, the entire issued share capital of the Charity comprises 24 shares of £1.00 each, all of which are fully paid up. Each member owns one share. Each share carries voting rights but no rights to dividends, distributions on winding up or rights of redemption.

Recent Developments

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

4

INFORMATION ABOUT THE BONDS

This following section summarises the key features of the Bonds.

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

INFORMATION ABOUT THE BONDS

		Refer to
What is a bond?	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 Hightown Housing Association Limited 4 per cent. Bonds due 31 October 2027 (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 Hightown Housing Association Limited, an exempt charity registered in England as a Community Benefit Society and as a Registered Provider of Social Housing with the principal objective to be an excellent provider and manager of housing and support services and to develop high quality new homes to meet the urgent need for additional affordable housing.	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 per cent. per annum, subject to Condition 8; • have a nominal amount of £100 per Bond; • are scheduled to be redeemed on 31 October 2027, although if the Charity fails to repay the Loan on that date, redemption shall be deferred until 31 October 2029 without default. If the Charity fails to repay the Loan on 31 October 2027 and repayment is deferred until 31	Appendix B ("*Terms and Conditions of the Bonds"*)

		Refer to
	October 2029, under the terms of the Loan the rate of interest payable on the Bonds will increase by an additional 1.00 per cent. per annum; • will be redeemed at 100 per cent. of their principal amount on 31 October 2027 or, if redemption is deferred, on 31 October 2029; • 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, a requirement to ensure that, as at each relevant testing date, the unencumbered properties and investments, stock and work in progress of the Charity or, if applicable, the Charity's group are not less than 130% of the total unsecured debt of the Charity or, if applicable, the group, as determined by reference to the financial statements of the Charity or, if applicable, the group.	Appendix D (*"Loan Agreement"*)

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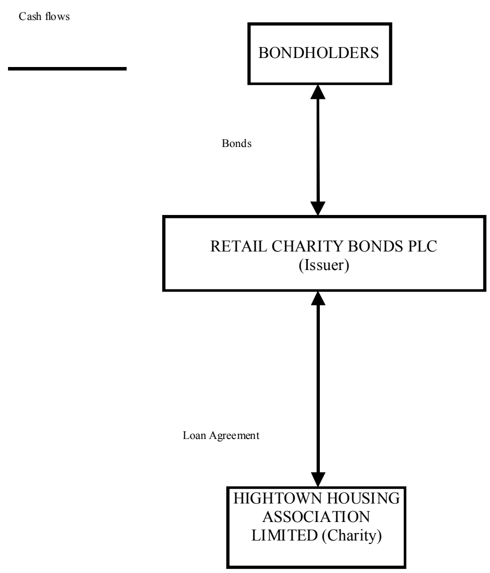
Whilst the Issuer’s rights in respect of the Loan are secured in the manner described above, the Loan itself is not secured by any asset of the Charity or otherwise.
A description of the transaction structure is included below:


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.
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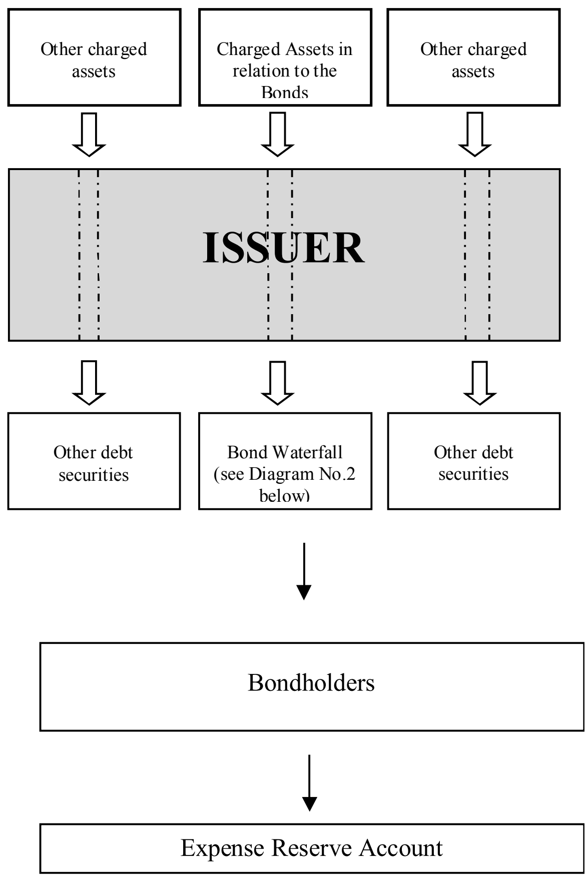
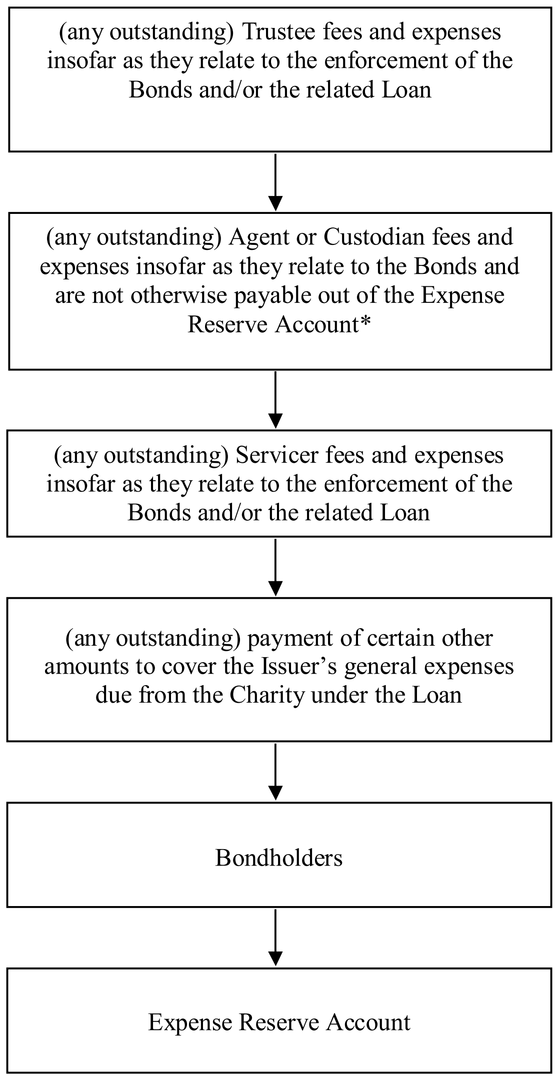
		Refer to
Why are the Bonds being issued? What will the proceeds be used for?	The Charity will use the proceeds of the issue of the Bonds in furtherance of its charitable objectives, including but not limited to, the acquisition, development and management of housing properties and the provision of specialist support services.	Section 3 ("*Description* of the 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 1 November 2017. 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 per cent. per annum. The yield of the Bonds is 4 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 30 April and 31 October 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 30 April 2018. Following the first payment, interest is expected to be paid on 30	Condition 8 (*"Interest"*) of Appendix B ("*Terms and Conditions of the*

		Refer to
	April and 31 October in each year up to and including the date the Bonds are repaid.	*Bonds"*)
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 4 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 31 October 2017, for instance, you will receive £2.00 on 30 April 2018 and £2.00 on 31 October 2018, and so on every six months until and including the Expected Maturity Date (unless you sell the Bonds or they are repaid by the Issuer) (as such terms are defined below and see "*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 per cent. per annum until 31 October 2027. 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	Section 7 (*"Description of Retail Charity Bonds PLC"*)

		Refer to
	certain related rights under the Issuance Facility Documents), which means that the holders of the Bonds will not have recourse to the other assets of the Issuer in connection with the other bond issues of the Issuer (see Diagram no. 1 (*Limited Recourse*) below). Diagram 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:	

		Refer to
	Diagram no. 2 (*Bond Waterfall*)  * 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

		Refer to
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 money that was originally invested as they would have received had the Bonds not been redeemed.	Condition 10 (*"Redemption and Purchase"*) of Appendix B ("*Terms and Conditions of the Bonds"*)
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	Condition 17 (*"Meeting of Bondholders, Modification and Waiver"*) of Appendix B ("*Terms and Conditions of the Bonds"*)

		Refer to
	conditions of the Bonds by passing an extraordinary resolution.	
How do I apply for Bonds?	Details on how to apply for the Bonds are set out in Section 5 (*"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 10 October 2017 to 12.00 noon (London time) on 24 October 2017, or such other time and date as agreed between the Issuer and the Manager and announced via a Regulatory Information Service (which is expected to be the Regulatory News Service operated by the London Stock Exchange) (the "**Offer Period**"). 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 conditional on anything else?	The issue of Bonds is conditional upon (i) a subscription agreement being signed by the Issuer and the Manager on or about 27 October 2017 (the "**Subscription Agreement**"), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 27 October 2017; and (iii) the Loan Agreement to be dated the date of issue of the Bonds being signed by the Issuer and the Charity on or about 31 October 2017. The Subscription Agreement will include certain conditions customary for transactions of this type (including the issue of the Bonds and the delivery of legal opinions and comfort letters from the independent auditors of the Charity satisfactory to the Manager).
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 24 October 2017.
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: **AJ Bell Securities Limited** 4 Exchange Quay Salford Quays Manchester M5 3EE **Equiniti Financial Services Limited** Aspect House Spencer Road Lancing West Sussex BN99 6DA **iDealing.com 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.

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TAXATION

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

TAXATION

United Kingdom Taxation

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

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

A. Interest on the Bonds

Payment of interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds 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 and admitted, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

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

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

B. United Kingdom Corporation Tax Payers

In general, Bondholders which are within the charge to United Kingdom corporation tax (including, for non-United Kingdom resident Bondholders, where Bonds are acquired or held for the purposes of a trade carried on in the United Kingdom through a permanent establishment in the United Kingdom) will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Bonds (whether attributable to currency fluctuations or otherwise) broadly in accordance with their U.K. GAAP or IFRS accounting treatment.

C. Other United Kingdom Tax Payers

Taxation of Interest

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

Taxation of Chargeable Gains

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

Accrued Income Scheme

On a disposal of Bonds by a Bondholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007, if that Bondholder is resident in the United Kingdom or carries on a trade 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 board of CCLA Investment Management. He is also Chair of two charities, a trustee of three others, and a non-stipendiary priest in the Church of England.
Gordon D'Silva OBE	Gordon has pioneered numerous social innovation not-for-profit businesses over the last 30 years that have been the recipient of numerous business, academic, charity and social enterprise awards. In 2011 he was awarded the OBE for his contribution to the industry. He is currently co-chair of Good Business Alliance and owner of a residence-hotel in Italy. He also advises several European social innovation businesses and mentors business leaders.
Tom Hackett	Tom Hackett is a member of the board of trustees of a number of UK charities and, prior to retirement, was Director General, Lending, at European Investment Bank.

Tim Jones	Tim Jones is Deputy Chairman and Chief Executive of Allia Ltd. He is also Chairman of Treatt plc, a quoted global 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, a Council member of Goldsmiths College, a director of Beyond Food CIC and a trustee and director of Common Purpose.

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

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

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

Tim Jones is a director of the Servicer and 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.

The Issuer's audited financial statements for the period ended 31 August 2015 (the "**Initial Accounts**") and for the year ended 31 August 2016 have been filed with the Financial Conduct Authority and are attached to this Prospectus as Appendix F ("*Financial Statements of the Issuer for the period ended 31 August 2015 and for the year ended 31 August 2016*"). The Initial Accounts (including the Audit Report contained therein) cover the period from incorporation on 14 March 2014 to 31 August 2015. Copies of the Issuer's financial statements can be viewed electronically and free of charge on the website of the Issuer (http://www.retailcharitybonds.co.uk/) 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 27 October 2017, the Manager is expected to agree to procure subscribers for the Bonds (other than the Retained Bonds) at the issue price of 100 per cent. of the nominal amount of the Bonds, less arrangement, management and applicable distribution fees. The Manager will receive fees of 0.50 per cent. of the nominal amount of the Bonds (other than the Retained Bonds). Authorised Offerors are also eligible to receive a distribution fee of up to 0.25 per cent. of the nominal amount of the Bonds (other than the Retained Bonds) allotted to them (payable out of the fee paid to the Manager). The Issuer will also reimburse the Manager in respect of certain of its expenses, and is expected to agree to indemnify the Manager against certain liabilities incurred in connection with the issue of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer. The issue of the Bonds will not be underwritten by the Manager, the authorised offerors or any other person.

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

Selling Restrictions

United States

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

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

European Economic Area

The Manager has represented and agreed that it has not made and will not make an offer of any Bonds to the public in any Member State of the European Economic Area, except that it may, during the period from 10 October 2017 to 12.00 noon (London time) on 24 October 2017 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 made and will not make an offer of Bonds in Jersey, save to the extent that the Manager is authorised, or otherwise permitted, to do so pursuant to the Financial Services (Jersey) Law 1998, as amended, and/or the Control of Borrowing (Jersey) Order 1958, as amended.

Guernsey

The Manager has represented and agreed that:

(a) the Bonds cannot be marketed, offered or sold in or to persons resident in Guernsey other than in compliance with the licensing requirements of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, and the regulations enacted thereunder, or any exemption therefrom;

(b) this Prospectus has not been approved or authorised by the Guernsey Financial Services Commission for circulation in Guernsey; and

(c) this Prospectus may not be distributed or circulated, directly or indirectly, to any persons in the Bailiwick of Guernsey other than:

    (i) by a person licensed to do so under the terms of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended; or

    (ii) to those persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended, the Banking Supervision (Bailiwick of Guernsey) Law 1994, as amended, the Insurance Business (Bailiwick of Guernsey) Law 2002, as amended, or the Regulation of Fiduciaries, Administration Business and Company Directors etc (Bailiwick of Guernsey) Law 2000, as amended.

Isle of Man

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

General

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

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

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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 20 September 2017.

Listing and admission to trading of the Bonds

It is expected that the Bonds will be admitted to the official list and to trading on the London Stock Exchange's regulated market and admitted to ORB on or around 1 November 2017, subject only to the issue of the global bond. Application has been made to the UK Listing Authority for the Bonds to be admitted to the official list and to the London Stock Exchange for the Bonds to be admitted to trading on the London Stock Exchange's regulated market and admitted to the ORB.

Use of Proceeds

The proceeds from the issue of the Bonds (including the proceeds of the Retained Bonds following a sale of the Retained Bonds to any third party from time to time) will be advanced by the Issuer to the Charity under the Loan Agreement to be dated the date of issue of the Bonds), to be applied by the Charity in furtherance of its charitable objects, including, but not limited to the acquisition, development and management of housing properties and the provision of specialist support services.

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 per cent. per annum until 31 October 2027. The yield is calculated at the Issue Date on the basis of the Issue Price of 100 per cent., using the formula below. It is not an indication of future yield.

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

where:

"**P**" is the Issue Price of the Bonds;

"**C**" is the 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 27 October 2017; and

(f) this Prospectus and, if applicable, any supplements to this Prospectus.

Clearing Systems

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

The ISIN for the Bonds is XS1695541299 and the Common Code for the Bonds is 169554129.

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

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

Material or Significant Change

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

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

Auditors

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

The auditors of the Charity are BDO LLP, who have audited the Charity's accounts (without qualification) in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017. The financial statements in Appendix E ("*Charity's financial statements for the years ended 31 March 2015, 31 March 2016 and 31 March 2017*") comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Issuance Facility

The Issuer has entered into, amongst other documents, an Issuance Facility Agreement dated 26 June 2014 (the "**Issuance Facility Agreement**") and a Trust Deed dated 26 June 2014 (the "**Master Trust Deed**") as supplemented by a Supplemental Trust Deed dated 31 October 2017 (the "**Supplemental Trust Deed**"), pursuant to which it is able to issue bonds (such as the Bonds) from time to time and to on-lend the proceeds thereof to registered or exempt charities in the United Kingdom (such as the Charity) (the "**Issuance Facility**"). Accordingly, bonds of different series may be issued under the Master Trust Deed from time to time. The Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time in respect of the Bonds, is referred to in this Prospectus as the "**Trust Deed**".

Each series of bonds issued under the Issuance Facility will be attributed a Series number by the Issuer. The Series number attributed to the Bonds is 6.

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.

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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.com Limited or Redmayne-Bentley LLP; or
- named on the Issuer's website (http://www.retailcharitybonds.co.uk/bonds/hightown2017) and identified as an Authorised Offeror in respect of the Public Offer; or
- authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) and have published on its website that it is using this Prospectus for the purposes of the Public Offer in accordance with the consent of the Issuer.

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

Conditions to Consent

Valid offers of Bonds may only be made by an Authorised Offeror in the context of the Public Offer in the United Kingdom and during the period from 10 October 2017 to 12.00 noon (London time) on 24 October 2017 (referred to below as the "Conditions to Consent").

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

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

Offer Jurisdictions

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

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

The United Kingdom is a Member State of the European Economic Area which has implemented the Prospectus Directive. The Prospectus Directive requires that offers of Bonds can only be made to the public in the United Kingdom in circumstances where (i) the offer is made on the basis of an approved Prospectus or (ii) the offer is made under an exemption from the requirement for an approved Prospectus under the Prospectus Directive. In this Prospectus, an offer of the type described in (i) is referred to as a "**Public Offer**".

The Prospectus has been approved by the UK Listing Authority as competent authority in the United Kingdom. Accordingly, this Prospectus may be used by Authorised Offerors (as described below) to make Public Offers of the Bonds in the United Kingdom during the period from 10 October 2017 to 12.00 noon (London time) on 24 October 2017.

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

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

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

Authorised Offerors and Consent to use this Prospectus

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

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

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

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

Specific Consent

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

- the Manager;
- AJ Bell Securities Limited, Equiniti Financial Services Limited, iDealing.com 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/hightown2017) and identified as an Authorised Offeror in respect of the Public Offer.

General Consent

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

(1) it is authorised to make such offers under the Financial Services and Markets Act 2000, as amended, or other applicable legislation implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC) (in which regard, potential investors should consult the Financial Services Register maintained by the Financial Conduct Authority at: *www.fca.org.uk/firms/systems-reporting/register*); and

(2) it accepts the Issuer's and the Charity's offer to grant consent to the use of this Prospectus by publishing on its website the following statement (with the information in square brackets completed with the relevant information):

*"We, [insert legal name of financial intermediary], refer to the offer of 4 per cent. Bonds due 31 October 2027 (the "**Bonds**") described in the Prospectus dated 10 October 2017 (the "**Prospectus**") published by Retail Charity Bonds PLC (the "**Issuer**"). In consideration of the Issuer and the Charity offering to grant their consent to our use of the Prospectus in connection with the offer of the Bonds in the United Kingdom (the "**Public Offer**") during the Offer Period and subject to the other conditions to such consent, each as specified in the Prospectus, we hereby accept the offer by the Issuer and the Charity in accordance with the Authorised Offeror Terms (as specified in the Prospectus) and confirm that we are using the Prospectus accordingly".*

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

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

Conditions to Consent

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

(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;

(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 31 October 2017 (the "**Supplemental Trust Deed**"), in each case made between the Issuer and Prudential Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee). The Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time in respect of the Bonds, is referred to in these Conditions as the "**Trust Deed**".

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

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

(b) such Global Bond.

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

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

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

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

Words and expressions defined in the Trust Deed or the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail.

1. DEFINITIONS

In these Conditions:

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

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

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

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

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

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

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

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

"**Charity**" means Hightown Housing Association 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 30 April and 31 October 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 31 October 2017;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. FORM, DENOMINATION AND TITLE

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

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

The Bonds will initially be represented by a global bond in registered form (a "**Global Bond**"). The Global Bond will be deposited with and registered in the name of a common nominee of, a common 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 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 £2.00 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 31 October 2027 (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 31 October 2029 (the "**Legal Maturity Date**"). Interest shall continue to accrue on Deferred Principal in accordance with Condition 8 until the date on which such Deferred Principal is paid.

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

10.4 Purchases

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

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

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

10.5 Cancellation

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

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

11. TAXATION

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

12. PRESCRIPTION

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

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

13. EVENTS OF DEFAULT AND ENFORCEMENT

13.1 Events of Default

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

(a) if default is made (subject as provided in Condition 10.3) in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of six days in the case of principal and five days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed, insofar as they relate to the Bonds, and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any order is made by any competent court or resolution passed for the winding-up or dissolution of the Issuer, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

(d) if the Issuer ceases or threatens to cease to carry on the whole or substantially all of its business, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, or the Issuer stops payment of, or is unable to pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(e) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, manager, administrator or other similar official, or an administrative or other receiver, liquidator, manager, administrator or other similar official is appointed, in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 14 days;

(f) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(g) if (subject as provided in Condition 10.3) a default under the Loan Agreement is not remedied within 30 days of the occurrence thereof.

13.2 Enforcement

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

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

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

13.3 Limited Recourse

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

(a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;

(b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Trust Deed; and

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

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

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

14. REPLACEMENT OF BONDS

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

15. PAYING AND TRANSFER AGENTS

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

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

(a) there will at all times be an Agent and a Registrar; and

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

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

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

16. NOTICES

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

17. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

17.1 Meetings of Bondholders

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

17.2 Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Bonds, the Trust Deed or the Agency Agreement or determine, without any such consent as aforesaid, that any Event of Default or Notification Event (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven. Any such modification shall be binding on the Bondholders and any such modification shall be notified to the Bondholders in accordance with Condition 16 as soon as practicable thereafter.

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

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

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

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

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

19. FURTHER ISSUES

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

(a) further Bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon, secured on the same assets (and any further loan that pursuant to which the proceeds of issue of such Bonds are on-lent to the Charity) and so that the same shall be consolidated and form a single Series with the outstanding Bonds; and/or

(b) other bonds pursuant to the Issuance Facility on such terms and conditions as the Issuer may elect, subject to the terms of the Issuance Facility Agreements and provided that such other bonds are not secured upon the Charged Assets.

20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

21. GOVERNING LAW

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

C

APPENDIX C

FORM OF THE BONDS

This following section sets out the legal form in which the Bonds will be issued, including that the legal title to the Bonds is expected to be held by a common 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.

THIS AGREEMENT is dated 31 October 2017 and is made

BETWEEN:

(1) **HIGHTOWN HOUSING ASSOCIATION LIMITED**, registered in England as a Community Benefit Society with registration number 18077R, whose registered office is at Hightown House, Maylands Avenue, Hemel Hempstead, Hertfordshire HP2 4HX (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 and SORP or any other accounting principles adopted by the Charity or, as applicable, the Group, from time to time;

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

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

(a) an amount per annum equal to 0.1% of the total Outstanding Balance on the Issue Date, or, if there have been any Retained Advances, on the most recent Retained Advance Date (as may be adjusted by the Lender in accordance with Clause 3.1(b)); and

(b) the fees, costs, charges, expenses and liabilities due to the Trustee together with any amount in respect of VAT payable thereon insofar as they relate to action to be taken by the Trustee in connection with a waiver, consent or amendment in relation to the provisions of the Bonds and/or this Agreement that has been requested by the Charity (including, for the avoidance of doubt, any such amounts which have been agreed between the Lender and the Trustee to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee pursuant to the Trust Deed insofar as they relate to the provisions of the Bonds and/or this Agreement); and

(c) all fees, costs and expenses payable from time to time by the Lender in relation to or in connection with the Bonds, including those payable to any arranger, manager or dealer (including fees and commissions payable pursuant to any subscription agreement) (howsoever described) appointed in connection with the Bonds (including out of pocket and legal expenses of such arranger, manager or dealer and any amount of VAT payable thereon), any trustee, paying agent or other agent, transfer agent, registrar, calculation agent, account bank, the United Kingdom Listing Authority or any stock exchange (together with, in each case, any amount in respect of VAT payable thereon); and

(d) all fees, costs and expenses payable by the Lender incurred pursuant to the Issuance Facility Documents and the Custody Agreement (as defined in the Conditions) (together with any amounts of VAT payable thereon) including those payable to any bond trustee (but excluding those amounts payable pursuant to paragraph (b) of this definition), paying agent or other agent, transfer agent, registrar, calculation agent, account bank, the United Kingdom Listing Authority, custodian or any stock exchange; and

(e) all fees, costs and expenses payable by (or on behalf of) the Issuer incurred, from time to time, in connection with producing and/or amending and/or replacing any document or documents required by Regulation (EU) No 1286/2014 (the **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% Bonds due 31 October 2027 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;

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 27 October 2017;

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

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

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

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

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

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

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

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

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

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

Financial Indebtedness means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any amount raised as a result of a sale, transfer or disposal of any of its assets on terms whereby they are or may be leased to or reacquired by the Charity or a member of the Group, as the case may be;

(e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the relevant Accounting Standards, be treated as a finance or capital lease;

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

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

(h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

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

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

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 30 April and 31 October in each year commencing on 30 April 2018 up to and including the Expected Maturity Date or, if the Outstanding Balance is not repaid in full pursuant to the terms of Clause 4.1 (Repayment on Expected Maturity Date), the Legal Maturity Date;

Investments and Stock and Work in Progress means the amounts described as investments, stock and work in progress (or equivalent), each as determined from the most recent Financial Statements;

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

Issuer means Retail Charity Bonds PLC;

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

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

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

Loan Management Servicer means Allia Impact Finance Ltd.;

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

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

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 10 October 2017 for use in connection with the issue of the Bonds;

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

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

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

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

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

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

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 3 (Retained Advance Request) submitted by the Charity and agreed by the Lender from time to time pursuant to Clauses 2.3 and 2.4;

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

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;

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;

SORP means the Statement of Recommended Practice Accounting and Reporting for Registered Social Housing Providers (SORP 2014);

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

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

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

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

Total Unsecured Debt means all unsecured Financial Indebtedness in respect of monies borrowed by 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 (i) Unencumbered Properties and (ii) Investments and Stock and Work in Progress;

Unencumbered Properties means all Properties owned by the Group which are not subject to a legal mortgage or fixed charge in favour of any other person, as valued for the purpose of drawing up the Financial Statements; 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;

(e) the amount of any Retained Bonds remaining following any Retained Advance shall not be less than £2,000,000;

(f) 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;

(g) 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;

(h) on such date, no Default is continuing or would result from the Retained Advance; and

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

4.2 Repayment on Legal Maturity Date

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

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

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

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

5. PREPAYMENT

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

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

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

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

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

6. TAXES

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

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

6.3 Without prejudice to the generality of Clause 6.1 above, the Charity confirms that, it is a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014 and on the basis of the confirmation made by the Lender in Clause 6.1 above, for the purposes of section 930(1)(b) Income Tax Act 2007, it has a reasonable belief that payments of interest to the Lender are "excepted payments" by virtue of section 933 Income Tax Act 2007. Accordingly, the Charity undertakes to pay interest to the Lender under this Agreement without deduction or withholding on account of UK Tax unless and until:

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

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

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

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

7. COVENANTS

7.1 Authorisations

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

7.2 Compliance with Laws

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

7.3 Tax Residency

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

7.4 Change of Business and Charitable Status

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

7.5 FATCA

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

8. INFORMATION COVENANTS

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

8.1 Financial Statements

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

8.2 Compliance Certificate

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

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

8.3 Requirements as to Financial Statements

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

8.4 Notification of Default

(a) The Charity shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly, and in any event within 30 days, upon becoming aware of its occurrence.

(b) Promptly upon a request by the Lender, the Charity shall supply to the Lender a certificate signed by 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 on 30 April of each year substantially in the form of Schedule 2 (Form of Annual Statement on Social Impact) to this Agreement.

8.6 Management

The Charity shall promptly notify the Lender of any changes to the executive management team or the board of 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 its Uncharged Property Value shall not be less than 130% of the Total Unsecured Debt of the Group as determined by reference to its Financial Statements.

(b) If at any time the terms of any of the Charity's unsecured and unsubordinated debt (a **Relevant Credit Facility**) contains a Financial Covenant and such Financial Covenant is not contained in this Agreement and would be more beneficial to the Lender than any analogous covenant in this Agreement, in each case whether existing on the date hereof or incorporated into this Agreement pursuant to Clause 9.1(c), a director of the Charity shall promptly (but in any event within 10 Business Days of the occurrence thereof) provide written notice thereof to the Lender, which notice shall refer specifically to this Clause 9.1(b) and shall describe in reasonable detail the Financial Covenant and the relevant ratios or thresholds contained therein (and shall include a copy of the relevant portion of the Relevant Credit Facility evidencing such Financial Covenant) (a **Covenant Notice**). Upon receipt of a Covenant Notice, the Lender shall in turn promptly (but in any event within ten Business Days of the receipt of the Covenant Notice) provide written notice to the holders of the Bonds, which notice shall set out all the information contained in the Covenant Notice.

(c) Upon receipt of a Covenant Notice by the Lender, the Financial Covenant subject to the notification shall be deemed automatically incorporated by reference into this Agreement, mutatis mutandis, as if set forth fully herein, without any further action required on the part of any person, effective as of the date when such Financial Covenant became effective under the Relevant Credit Facility.

(d) For the avoidance of doubt, each of the financial covenants in this Clause 9 and Events of Default in Clause 10 (Events of Default) as of the date of this Agreement (as amended, other than by application of Clause 9.1(b)) shall remain in this Agreement as in effect on the date hereof regardless of whether any Financial Covenant is incorporated into, deleted from, or otherwise modified in this Agreement.

9.2 Pari Passu Ranking

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

9.3 Financial Covenant Calculations

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

10. EVENTS OF DEFAULT

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

(a) the Charity fails to pay any sum due under this Agreement and such failure continues for a period of five days (in the case of interest) and six days (in the case of principal) (subject to Clause 4.2 (Repayment on Legal Maturity Date));

(b) the Charity is in breach of any other obligation under this Agreement 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 any member of its Group; or

(v) any analogous procedure or step is taken in any jurisdiction.

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: Hightown Housing Association Limited (the **Charity**)

Dated: [ ]

Dear Sirs

Hightown Housing Association Limited – Loan dated 31 October 2017 (the Agreement)

1. We refer to the Agreement. This is a Compliance Certificate. Terms defined in the Agreement have the same meanings when used in this Compliance Certificate unless given different meanings in this Compliance Certificate.

2. [We confirm that no Default is continuing.][*]

3. We certify that the audited financial statements of the Charity for the year ended [ ] fairly represent the Charity's financial condition as at the date they are made up to.

4. We confirm that [no circumstance has arisen requiring a notice to be given/any changes to the executive management team and/or board of 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 Uncharged Property Value is not less than 130% of the Total Unsecured Debt of the Group as determined by reference to the Financial Statements.

Signed: ....

Hightown Housing Association Limited

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

SCHEDULE 2

FORM OF ANNUAL STATEMENT ON SOCIAL IMPACT

Annual Impact Reporting

1. Your Activities

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

2. Your Impact

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

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

Outputs	Indicator	Results

Outputs	Indicator	Results

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

3. Your Response

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

SCHEDULE 3

RETAINED ADVANCE REQUEST

From: Hightown Housing Association Limited

To: Retail Charity Bonds PLC

Dated: [ ]

Dear Sirs

Loan Agreement
dated 31 October 2017 (the Agreement)

1. We refer to the Agreement. This is a Retained Advance Request for the purpose of the Agreement. Terms defined in the Agreement have the same meaning in this Retained Advance Request unless given a different meaning in this Retained Advance Request.

2. Pursuant to Clauses 2.3 and 2.4 of the Agreement, we wish to borrow a further advance on the following terms:

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

3. The Charity represents and warrants that no Default is continuing or would result from the Retained Advance.

4. The Charity represents and warrants that the Retained Advance Repeating Representations are true in all material respects in relation to it as at the Retained Advance Date as if made by reference to the facts and circumstances then existing. For the avoidance of any doubt, all references to the Issue Date in the Retained Advance Repeating Representations shall be construed as references to the Retained Advance Date.

5. This Retained Advance Request is irrevocable.

Yours faithfully

....

authorised signatory for
Hightown Housing Association Limited

Agreed and accepted by

....

authorised signatory for
Retail Charity Bonds PLC

Date:

SIGNATORIES

The Charity

HIGHTOWN HOUSING ASSOCIATION LIMITED

Address: Hightown House
Maylands Avenue
Hemel Hempstead
Herts HP2 4XH

Email: david.skinner@HightownHA.org.uk

Attention: David Skinner

By:

And by:

The Lender

RETAIL CHARITY BONDS PLC

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

Email: communications@retailcharitybonds.co.uk

Attention: The Company Secretary

By:

E

APPENDIX E

CHARITY'S 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHTOWN HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2015

We have audited the financial statements of Hightown Housing Association Limited for the year ended 31 March 2015 which comprise the income and expenditure account, the balance sheet, the statement of total recognised surpluses and deficits, the 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members 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 Financial Reporting Council's (FRC'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 FRC's website at 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 association's affairs as at 31 March 2015 and of its surplus 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control has not been maintained over transactions; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP.

BDO LLP, statutory auditor
London
United Kingdom
Date: 6 July 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hightown Housing Association Limited
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
TURNOVER	*1*	**44,607**	**45,296**
Operating costs	*1*	(29,473)	(30,929)
OPERATING SURPLUS	*1,4*	**15,134**	**14,367**
Surplus on sale of properties & other fixed assets		2,178	1,068
Interest receivable and other income		106	175
Interest payable and similar charges	5	(5,957)	(6,072)
SURPLUS ON ORDINARY ACTIVITIES	*18*	**11,461**	**9,538**

All activities are continuing.

The notes on pages 42 to 71 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 2 July 2015 and are signed on its behalf by:

Tony Keen - Chair　　Donald Bell - Board Member　　David Skinner - Secretary

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Notes	2015 £'000	2014 £'000
Surplus for the financial year		**11,461**	**9,538**
Actuarial surplus/(deficit) relating to pension scheme	*27*	(88)	13
Unrealised (deficit)/surplus on revaluation of investments	*10,18*	444	(166)
TOTAL RECOGNISED SURPLUSES AND DEFICITS RELATING TO THE YEAR		**11,817**	**9,385**

Hightown Housing Association Limited
BALANCE SHEET
As at 31 March 2015

	Notes	2015 £'000	2014 £'000
TANGIBLE FIXED ASSETS			
Housing properties	8	432,966	390,920
Social housing and other grants	8	(144,824)	(142,419)
		288,142	248,501
Investments	10	2,649	2,205
Other tangible fixed assets	9	5,690	5,774
TOTAL FIXED ASSETS		**296,481**	**256,480**
CURRENT ASSETS			
Properties awaiting sale	11	2,483	1,886
Debtors	12	3,476	3,074
Cash at bank and in hand	13	9,350	16,449
		15,309	**21,409**
CREDITORS: Amounts falling due within one year	14	**(9,852)**	**(10,505)**
NET CURRENT ASSETS		**5,457**	**10,904**
TOTAL ASSETS LESS CURRENT LIABILITIES		**301,938**	**267,384**
CREDITORS: Amounts falling due after more than one year	15	**236,786**	**214,191**
PENSION LIABILITY	27	**328**	**240**
		237,114	**214,431**
CAPITAL AND RESERVES			
Share capital	17	-	-
Revaluation reserve	18	743	299
Restricted reserve	18	164	126
Revenue reserve	18	63,917	52,528
ASSOCIATION'S RESERVES	18	**64,824**	**52,953**
		301,938	**267,384**

The notes on pages 42 to 71 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 2 July 2015 and are signed on its behalf by:

Tony Keen - Chair　　Donald Bell - Board Member　　David Skinner - Secretary

Hightown Housing Association Limited

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*20*	**22,665**	**18,962**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		106	175
Interest paid		(6,731)	(6,382)
Net cash outflow from returns on investment and servicing of finance		**(6,625)**	**(6,207)**
CAPITAL EXPENDITURE			
Purchase and construction of housing properties		(51,767)	(32,494)
Social Housing Grant received		2,819	2,160
Purchase of other fixed assets		(94)	(170)
Sales of housing properties		4,570	3,882
Sales of other fixed assets		-	8
Net cash outflow from capital expenditure		**(44,472)**	**(26,614)**
Net cash outflow before use of liquid resources and financing		**28,432**	**(13,859)**
FINANCING			
Loans received		23,000	25,000
Loans repaid		(1,667)	(1,878)
Net inflow from financing		**21,333**	**23,122**
INCREASE / (DECREASE) IN CASH IN THE PERIOD	*21*	**(7,099)**	**9,263**

The notes on pages 42 to 71 form part of these financial statements.

LEGAL STATUS

Hightown Housing Association Limited (the Association) (formerly known as "Hightown Praetorian and Churches Housing Association Limited" until 18 June 2015), is registered under the Co-operative and Community Benefit Societies Act 2014 and registered with the Homes and Communities Agency as a registered housing provider. It has charitable status.

BASIS OF ACCOUNTING

The financial statements of the Association are prepared under the historical cost convention except for investments at valuation, in accordance with applicable accounting standards and the Statement of Recommended Practice: "Accounting by registered social housing providers – Update 2010" (SORP 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 issued by the Homes and Communities Agency.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

TURNOVER

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants. Turnover is recognised on the following basis:

- Rental income is recognised on a time apportioned basis and is stated net of losses from void properties;
- Fees and income from the provision of Residential Care, Supporting People and Management Services are recognised as the services are provided;
- Income paid in respect of cyclical and major repairs is deferred until such time as the related expenditure is incurred;
- Income from the sale of 1st Tranche Shared Ownership properties is recognised as properties are sold.

VALUE ADDED TAX

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Irrecoverable VAT is charged to the income and expenditure account and is allocated to the different activities on the same basis as the corresponding costs are allocated.

INTEREST PAYABLE

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest is capitalised from the date of the site acquisition to the date of practical completion. Other interest payable is charged to the income and expenditure account in the year.

PENSIONS

The Association participates in four multi-employer defined benefit schemes; the Social Housing Pension Scheme (SHPS) – its main scheme, the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pension Scheme. The latter two schemes relate to employees who transferred to the Association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

For the SHPS, Growth Plan scheme, and NHS scheme, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

The Buckinghamshire County Council Pension Fund is accounted for under FRS17. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any change in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Association also participates in a Defined Contribution Scheme with the Social Housing Pension Scheme. This is the auto-enrolment vehicle for the Association.

SUPPORTED HOUSING
The treatment of income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk or not.

Where the Association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account (see note 1).

Where the Association has appointed an agent to provide support to the service users and the agent holds the support contract with the Commissioning Authority (and carries the financial risk), the income and expenditure account includes only that income and expenditure which relates solely to the Association.

INTEREST RATE FIXINGS
The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

HOUSING PROPERTIES
Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other apportioned direct costs, incurred on the developments from the date from which it is reasonably likely that the development will go ahead, to the date of practical completion.

Shared Ownership properties are split proportionately between current and fixed assets based on the first tranche proportion. The first tranche proportion is accounted for as a current asset and the related sales proceeds shown in turnover. The remaining element of the Shared Ownership property is accounted for as a fixed asset and any subsequent staircasing is treated as a part disposal of a fixed asset. Shared Ownership properties are included in housing properties at cost less depreciation and any provisions needed for impairment.

The net surplus on the sale of housing properties (including Shared Ownership property staircasing) represents proceeds less applicable cost and expenses. Any applicable social housing grant is transferred to the Recycled Capital Grant Fund held in long term creditors. Right to Acquire and Right to Buy sales are accounted for by transfer of the net surplus and the associated grant to the Disposal Proceeds Fund also held in long term creditors.

DEPRECIATION OF HOUSING PROPERTIES
Housing properties under construction are stated at cost and are not depreciated. Freehold land is not depreciated.

The Association depreciates freehold housing properties by component so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less the proportion of Social Housing Grant (SHG) and other grants attributable to housing properties, less residual value.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate if shorter, at the following annual rates:

Asset Component	Useful lives	Rate
Building Structure		
- houses	100 years	1.00%
- flats	80 years	1.25%
Roof	80 years	1.25%
Windows and external doors	30 years	3.33%
Bathrooms	30 years	3.33%
Electrical systems	30 years	3.33%
Lifts	30 years	3.33%
Kitchens	20 years	5.00%
Heating systems	15 years	6.66%

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

LAND RECEIVED FOR LESS THAN MARKET VALUE
Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

SOCIAL HOUSING GRANT
Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due from the Homes and Communities Agency or received in advance is included as a current asset or liability as appropriate. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

OTHER GRANTS
These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

IMPAIRMENT

Properties depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard No 11 and the SORP 2010, subject to impairment reviews annually.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

INVESTMENTS

Investments are held at market value. Any movement in the value of investments is recorded in the Revaluation Reserve and the Statement of Total Recognised Surpluses and Deficits.

OTHER TANGIBLE FIXED ASSETS

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building	2%
Furniture, fixtures and fittings	2½% to 10%
Computers / office equipment	33% / 20%
Motor vehicles	25%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, these components are then depreciated over those component lives.

LEASED ASSETS

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

RESERVES

Any unexpended income which is restricted as to its use, is treated as a restricted reserve. Transfers are made between the revenue reserve and the restricted funds to represent the receipt of restricted income and the subsequent expenditure of such income.

TRUST FUNDS

Funds held by the Association on trust for leaseholders are recognised as an asset of the Association where the Association has control of the funds. A corresponding creditor is also recognised. Leaseholders' funds held for major repairs are maintained in separate interest bearing accounts for this purpose and fall under a deed of trust dated 23rd June 1993. Any income received on the funds so held is credited to leaseholders.

LOAN ISSUE COSTS AND PREMIUM

In accordance with SORP 2010 the issue costs of loans have been deducted from the gross loan values. Issue costs are amortised over the period of the loan to which they relate. Similarly the premium received on the loan proceeds from The Housing Finance Corporation (THFC) bond issue is amortised into the income and expenditure account to offset interest paid over the life of the loan in accordance with FRS4.

ALLOCATION OF COSTS

Costs are allocated to the different categories of social housing activities on the following basis:

- Direct costs are allocated to the relevant activity.
- Where direct costs relate to a number of different activities they are apportioned to those different activities on a fair basis.
- Overhead costs are allocated to different activities, primarily based on the estimated time spent by the Association's staff in managing the different activities.

RECYCLED CAPITAL GRANT FUND

The Recycled Capital Grant Fund (RCGF) contains social housing grant released by property sales (other than Right to Acquire or Right to Buy) for re-use on funding new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

DISPOSAL PROCEEDS FUND

The Disposal Proceeds Fund (DPF) contains social housing grant released by property sales under Right to Acquire or Right to Buy for re-use on funding new developments. If unused within a three year period from the start of the following financial year, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

MIXED TENURE SCHEMES

The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2010. Where a development is evaluated as a single scheme with more than one element and where one or more of those elements are expected to generate a surplus and one or more of the other elements has an EUV-SH value that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

SERVICE CHARGES

All service charges are variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future years charge. Any shortfall or surplus arising is shown in the balance sheet within debtors or creditors as appropriate.

1 NOTE A – PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

Continuing activities	2015 Turnover £'000	2015 Operating costs £'000	2015 Operating surplus £'000	2014 Turnover £'000	2014 Operating costs £'000	2014 Operating surplus £'000
SOCIAL HOUSING LETTINGS (Note B)	**35,659**	**(21,787)**	**13,872**	**33,189**	**(20,395)**	**12,794**
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	1,006	(1,006)	-	1,155	(1,155)	-
Management services	451	(390)	61	373	(308)	65
Aborted development costs	-	(30)	(30)	-	(85)	(85)
Other	147	(67)	80	756	(36)	720
Current asset property sales	6,639	(5,432)	1,207	9,282	(8,356)	926
	8,243	**(6,925)**	**1,318**	**11,566**	**(9,940)**	**1,626**
NON-SOCIAL HOUSING ACTIVITIES						
Registered nursing homes	553	(591)	(38)	493	(538)	(45)
Charity Shop	152	(170)	(18)	48	(56)	(8)
	705	**(761)**	**(56)**	**541**	**(594)**	**(53)**
TOTAL	**44,607**	**(29,473)**	**15,134**	**45,296**	**(30,929)**	**14,367**

1 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

NOTE B - PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

INCOME FROM SOCIAL HOUSING LETTINGS	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	2015 Total £'000	2014 Total £'000
Rent receivable net of identifiable service charges	17,489	3,038	2,120	150	22,797	20,446
Charges for support services	23	446	-	-	469	747
Service charge income	1,147	1,343	603	-	3,093	2,912
Other revenue grants	-	6,513	-	2,787	9,300	9,084
TURNOVER FROM SOCIAL HOUSING LETTINGS	**18,659**	**11,340**	**2,723**	**2,937**	**35,659**	**33,189**
EXPENDITURE ON SOCIAL HOUSING LETTINGS						
Management	(1,930)	(759)	(228)	(406)	(3,323)	(2,897)
Support Service costs	(185)	(6,573)	-	(2,314)	(9,072)	(8,868)
Service charge costs	(1,028)	(1,258)	(413)	(171)	(2,870)	(2,586)
Routine maintenance	(1,826)	(298)	(6)	(62)	(2,192)	(2,156)
Planned maintenance	(292)	(44)	(3)	(4)	(343)	(267)
Major repairs expenditure	(687)	(21)	-	(15)	(723)	(368)
Bad debts	(65)	(63)	48	-	(80)	(215)
Depreciation of housing properties	(2,544)	(328)	(291)	(21)	(3,184)	(3,038)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**(8,557)**	**(9,344)**	**(893)**	**(2,993)**	**(21,787)**	**(20,395)**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**10,102**	**1,996**	**1,830**	**(56)**	**13,872**	**12,794**
Void losses	(147)	(190)	(98)	-	(435)	(414)

2 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 108 supported housing tenancies (2014:104) that are managed on its behalf under management agreements by other bodies that carry the financial risk. The Association's income and expenditure account includes only the income and expenditure for which it retains responsibility.

3 ACCOMMODATION IN MANAGEMENT

	2015 No.	2014 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General needs housing (including housing for older people)	2,842	2,602
Supported housing (including agency managed)	608	602
Shared ownership	633	598
Leasehold	585	566
Residential care home bed spaces	47	57
Total in management	4,715	4,425
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	4,723	4,433

4 OPERATING SURPLUS

	2015 £'000	2014 £'000
This is arrived at after charging:		
Depreciation of housing properties	3,082	2,904
Accelerated depreciation on housing components	102	134
Depreciation of other tangible fixed assets	250	240
Operating lease rentals	107	111
Auditor's remuneration (excluding VAT)		
- for audit services	25	32
- for non-audit services	21	9

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Loans and bank overdrafts	6,945	6,608
Interest payable capitalised on housing properties under construction	(988)	(536)
	5,957	6,072
Capitalisation rate used to determine the amount of finance costs capitalised during the period	2.84%	2.82%

6 EMPLOYEES

	2015 No.	2014 No.
Average monthly number of employees (full time equivalents):		
Administration	47	38
Development	10	12
Housing, support and care	343	329
	400	379

Staff numbers in Care & Supported Housing schemes are expressed against their standard 37.5 hour per week. Other staff numbers are expressed against their standard 35 hour week.

Employee costs:	2015 £'000	2014 £'000
Wages and salaries	11,921	11,588
Social security costs	900	875
Other pension costs	728	641
	13,549	13,104

During the year the Association paid £24,900 (2014: £57,139) in respect of redundancy and severance payments. These values are included within the analysis above.

Information on pensions appears at Note 27.

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

The aggregate emoluments of the executive directors including pension contributions amounted to £691,695 (2014: £626,246). None of the Board members received emoluments. Total expenses paid during the year to Board members were £2,035 (2014: £3,364).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £136,868 (2014: £130,013). Pension contributions in the year were £10,501 (2014: £9,840).

The aggregate amount of compensation payable to directors for loss of office during the year was £nil (2014: nil).

The full time equivalent number of staff whose remuneration payable in respect of the year excluding pension contributions was more than £60,000, by salary band was as follows:

Salary band	2015 No	2014 No
£ 60,001 - £ 70,000	3	1
£ 70,001 - £ 80,000	1	1
£ 80,001 - £ 90,000	1	1
£ 90,001 - £100,000	1	1
£100,001 - £110,000	2	2
£130,001 - £140,000	1	1

The executive directors are members of the Social Housing Pension Scheme as ordinary members of the pension scheme and no enhanced or special terms apply.

8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties held for lettings	Properties in the course of completion Rental Units	Properties in the course of completion Shared Ownership	Shared Ownership properties	Total
	£'000	£'000	£'000	£'000	£'000
COST					
As at 1 April 2014	318,493	31,541	10,234	49,341	409,609
Additions	76	34,663	14,671	-	49,410
Properties completed	28,662	(28,662)	(6,041)	6,041	-
Components capitalised	1,084	-	-	-	1,084
Transfer to current assets	(534)	-	-	-	(534)
Disposals	(429)	(2,429)	-	(2,244)	(5,102)
As at 31 March 2015	347,352	35,113	18,864	53,138	454,467
Less: Depreciation					
As at 1 April 2014	17,657	-	-	1,032	18,689
Charge for the year	2,848	-	-	234	3,082
Disposals	(189)	-	-	(81)	(270)
As at 31 March 2015	20,316	-	-	1,185	21,501
Depreciated cost at 31 March 2015	327,036	35,113	18,864	51,953	432,966
Depreciated cost at 31 March 2014	300,836	31,541	10,234	48,309	390,920
SOCIAL HOUSING AND OTHER CAPITAL GRANTS					
As at 1 April 2014	121,417	6,774	10	14,218	142,419
Received in year	13	3,211	194	-	3,418
Properties completed	2,410	(2,410)	(204)	204	-
Disposals	(313)	-	-	(700)	(1,013)
As at 31 March 2015	123,527	7,575	-	13,722	144,824
NET BOOK VALUE					
As at 31 March 2015	203,509	27,538	18,864	38,231	288,142
As at 31 March 2014	179,419	24,767	10,224	34,091	248,501

All Social Housing Grant receivable is capital grant, there being no revenue SHG receivable.

Expenditure on works to existing properties:	2015	2014
	£'000	£'000
Components capitalised	1,084	1,421
Amounts charged to income and expenditure account	678	332
	1,752	1,753

8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

Housing properties book value, net of depreciation, comprises:	2015 £'000	2014 £'000
Freehold land and buildings	384,259	342,850
Long leasehold land and buildings	48,707	48,070
	432,966	390,920

Additions to properties include:	2015 £'000	2014 £'000
Development overheads capitalised	1,367	1,307
Capitalised interest	988	536

9 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 April 2014	6,020	177	215	567	35	7,014
Additions	12	87	13	57	-	169
Disposals	-	(11)	(3)	-	-	(14)
As at 31 March 2015	6,032	253	225	624	35	7,169
Less: Depreciation						
As at 1 April 2014	568	50	173	436	13	1,240
Charged in year	115	25	31	72	7	250
Released on disposal	-	(9)	(2)	-	-	(11)
As at 31 March 2015	683	66	202	508	20	1,479
Net book value						
As at 31 March 2015	5,349	187	23	116	15	5,690
As at 31 March 2014	5,452	127	42	131	22	5,774

10 INVESTMENTS

(a) UK Government Gilt

The Association is required to maintain an Interest Service Reserve Fund (ISRF) with The Housing Finance Corporation Ltd (THFC) at least equal to 12 months interest on the £30m loan. This is invested in a UK Government Gilt. To minimise the interest cost between the loan rate and the investment rate, a Gilt that closely matches the maturity date of the underlying bond (July 2039) has been purchased, namely the 4.75% UK Treasury due 2038. It is intended to hold this gilt to maturity.

Movement in investments	2015 £'000
Value 1 April 2014	2,205
Revaluation in year	444
Value 31 March 2015	2,649

The historic cost of the investment was £1,905,943.

(b) Community Meeting Point Harpenden

On 1 April 2014, the Trustees of Community Meeting Point Harpenden (CMP) transferred all the assets and liabilities of the CMP Charity to Hightown Housing Association Ltd, who carried out the services undertaken by CMP from that date.

The value of incoming resources was £58,771 of which £4,378 was expended in the year.

The charity Community Meeting Point Harpenden did not trade in 2014/15 and on 4 November 2014 the Trustees dissolved the Charity.

11 PROPERTIES AWAITING SALE

	2015 £'000	2014 £'000
Shared Ownership properties awaiting sale	1,949	1,667
Vacant properties awaiting sale	534	219
	2,483	1,886

	No.	No.
Shared Ownership properties awaiting sale	24	21
Vacant properties awaiting sale	7	1
	31	22

The stock of Shared Ownership properties is the cost of the anticipated first tranche sale to shared owners.

12 DEBTORS

	2015 £'000	2014 £'000
Due within one year		
Rent and service charges receivable	1,098	1,011
Less: Provision for bad and doubtful debts	(769)	(785)
	329	226
Estate service charges recoverable	525	526
Revenue grants receivable	1,106	950
Other debtors	170	52
Prepayments and accrued income	1,346	1,320
	3,476	3,074

13 BANK AND CASH

	2015 £'000	2014 £'000
Bank accounts held on trust (see accounting policies)	1,116	945
Other bank accounts	8,233	15,503
Cash in hand	1	1
	9,350	16,449

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Debt (note 16)	1,319	1,313
Trade creditors	1,668	1,288
Rent and service charges received in advance	1,146	966
Revenue grants received in advance	98	255
Other taxation and social security	223	242
Other creditors	232	212
Development and works retentions	3,803	5,027
Accruals and deferred income	1,363	1,202
	9,852	10,505

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £'000	2014 £'000
Debt (note 16)	230,103	208,818
Recycled Capital Grant Fund (note 24)	1,260	569
Disposal Proceeds Fund (note 25)	124	-
Premium on THFC Loan Issue	3,506	3,651
Leaseholder Sinking Funds	81	76
Leaseholder Trust Funds	963	800
Development and works retentions	749	277
	236,786	214,191

In January 2011 the Association received by way of loan, the proceeds of a bond issued by The Housing Finance Corporation (THFC) at a premium to par. This premium will be amortised to the income and expenditure account over the life of the loan (28.5 years) to offset interest paid, in accordance with FRS4.

16 DEBT ANALYSIS

	2015 £'000	2014 £'000
Bank loans		
Due within one year	1,693	1,610
Between one and two years	48,451	1,690
Between two and five years	37,201	58,567
After five years	146,137	150,281
Total after one year	231,789	210,538
Total bank loans	233,482	212,148
Unamortised loan costs		
Due within one year	(374)	(297)
Between one and two years	(330)	(297)
Between two and five years	(491)	(824)
After five years	(865)	(599)
Total after one year	(1,686)	(1,720)
Total unamortised loan costs	(2,060)	(2,017)
Total		
Due within one year	1,319	1,313
Between one and two years	48,121	1,393
Between two and five years	36,710	57,743
After five years	145,272	149,682
Total after one year	230,103	208,818
Total	231,422	210,131

All loans are secured by fixed charges on individual housing properties and the central office building. The loans are repayable at intervals varying from half yearly to annually. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2014: 2016 to 2039).

Fixed interest rates payable at 31 March 2015 averaged 5.63% (2014: 5.64%) ranging from 4.40% to 10.50% (2014: 4.40% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2014/15 was 3.14% (2013/14 3.12%).

After the year end, on 30 April 2015, Hightown drawdown a £27 million loan from Retail Charity Bonds plc being the proceeds of a retail charity bond issued by Retail Charity Bonds plc. This loan is at a fixed rate of 4.40% and is legally repayable on 30 April 2025.

17 SHARE CAPITAL

Shares of £1 each issued and fully paid	2015 No.	2014 No.
As at 1 April	35	33
Shares issued	3	2
Shares surrendered during the year	(11)	-
As at 31 March	27	35

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

18 RESERVES

	Revaluation Reserve £'000	Restricted Reserve £'000	Revenue Reserve £'000	Total £'000
As at 1 April 2014	299	126	52,528	52,953
Surplus for the year 2014/15	-	-	11,461	11,461
Actuarial loss relating to pension scheme	-	-	(88)	(88)
Reserves acquired from CMP	-	38	16	54
Surplus on revaluation of investment	444	-	-	444
As at 31 March 2015	743	164	63,917	64,824

The Restricted Reserve represents monies bequeathed to Hightown and reserves transferred by the charity Community Meeting Point Harpenden (CMP).

19 FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE	2015 £'000	2014 £'000
Expenditure contracted for but not provided in the accounts	59,399	59,261
Expenditure authorised by the Board but not contracted	89,754	26,108

At 31 March 2015 the Association has total undrawn committed loan facilities of £45.0 million (2014: £33.0 million). These commitments will be financed by use of the above loan facilities (£45.0 million), social housing grant (£6.0 million), first tranche shared ownership sales (£9.8 million), and the balance from cash in hand, surplus revenue cash generated and new borrowing facilities to be arranged.

OPERATING LEASES

The payments which the Association is committed to make under operating leases are as follows:

	2015 £'000	2014 £'000
Office equipment and vehicles:		
- Within one year	22	-
- Between one and two years	35	42
- Between two and five years	17	50
- After five years	1	1
	75	93

20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £'000	2014 £'000
Operating surplus	15,134	14,367
Depreciation of tangible fixed assets	3,332	3,145
Accelerated depreciation of Components	102	133
Amortisation of THFC premium	(145)	(145)
	18,423	17,500
Working capital movements:		
Stock of properties for sale	(597)	1,863
Debtors	(402)	(872)
Creditors	5,241	3,123
Net cash inflow from operating activities	22,665	21,614

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2015 £'000	2014 £'000
(Decrease) / Increase in cash	(7,099)	9,263
Cash inflow from increase in debt	(21,333)	(23,122)
Change in net debt from cash flows	(28,432)	(13,859)
Change in net debt from non-cash flows	42	176
Net debt at 1 April	(193,682)	(179,999)
Net debt at 31 March	(222,072)	(193,682)

22 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2014 £'000	Cash Flow £'000	Non-Cash Movement £'000	31 March 2015 £'000
Cash at bank and in hand	16,449	(7,099)	-	9,350
Loans	(210,131)	(21,333)	42	(231,422)
Net debt	(193,682)	(28,432)	42	(222,072)

The non-cash movement represents the write –off of loan fees.

23 FINANCIAL ASSETS AND LIABILITIES

The Association's financial liabilities are sterling denominated. After taking into account interest rate fixings, the interest rate profile of the Association's financial liabilities at 31 March is as below:

	2015 £'000	2014 £'000
Floating rate	159,012	137,369
Fixed rate	74,470	74,779
	233,482	212,148
Loan costs	(2,060)	(2,017)
Total (note 16)	231,422	210,131

The fixed rate financial liabilities have a weighted average interest rate of 5.63% (2014: 5.64%) and the weighted average period for which it is fixed is 20.5 years (2014: 21.6 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates linked to the London Interbank Offered Rate (LIBOR) plus agreed loan margin.

24 RECYCLED CAPITAL GRANT FUND

	2015 £'000	2014 £'000
Opening balance 1 April	569	260
Additions:		
Grant recycled	748	384
Interest accrued	3	-
Drawdown:		
New build	(60)	(75)
Closing balance 31 March	1,260	569

25 DISPOSAL PROCEEDS FUND

	2015 £'000	2014 £'000
Opening balance 1 April	-	-
Additions:		
Grant recycled	124	-
Interest accrued	-	-
Drawdown:		
New build	-	-
Closing balance 31 March	124	-

26 RELATED PARTIES

Board and Committee Members
One board member, Philip Day, is a tenant board member and his tenancy is let on a standard Association tenancy agreement at normal commercial terms.

Two Board members are local authority Councillors:

Brian Ellis	St Albans District Council
Carol Green	Dacorum Borough Council (until 7/05/2015)

Monica Cashman, an employee of Welwyn Hatfield Community Housing Trust (Welwyn Hatfield Borough Council's ALMO), was a Board member until the AGM on 18/09/2014.

All transactions with local authorities are made at arm's length, on normal commercial terms.
No Board member is able to use his/her position on the Board to their advantage.

The Association does not consider its Resident committee members to be related parties as the committees are advisory only.

27 PENSIONS

Hightown Housing Association Ltd (Hightown) participates in four multi-employer Defined Benefit schemes: the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to the association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Hightown also participates in the Social Housing Pension Scheme Defined Contribution as its auto-enrolment scheme.

A. SOCIAL HOUSING PENSION SCHEME

Hightown Housing Association (Hightown) participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007.
From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career Average Revalued Earnings (CARE) structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Hightown operates a Defined Contribution benefits section within SHPS from 1 November 2013. Prior to this date, Hightown operated defined benefits structures - a Career Average Revalued Earnings (CARE) with 1/80th accrual; a Career Average Revalued Earnings (CARE) section with 1/60th accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme section1/60th accrual for staff employed prior to 1 April 2007. These defined benefit section are now closed to new entrants but there remain active employees who continue to accrue future benefits.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period 1 April 2014 to 31 March 2015 Hightown paid contributions at the rate of 1% to 8.25% of active members' pensionable pay; member contributions varied between 1% and 11.55%.

As at 31 March 2015, there were 361 active members of the Scheme employed by Hightown 85 of whom were in the Defined Benefit sections. The annual pensionable payroll in respect of all members was £8,191,325. Hightown ceased to offer Defined Benefit section to new employees from November 2013 and offers membership of the Defined Contribution section to all new employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared to the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.0
Non Pensioner Post Retirement	4.2
Pensioner Post Retirement	4.2
Pensionable Earnings Growth	2.5 per annum for 3 years, then 4.4
Price Inflation (RPI)	2.9
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess Over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

- Mortality pre-retirement – 41% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.
- Mortality post retirement – 97% SAPS S1 Male / Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount (*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount (*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates set out above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions

Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2014. At this date the estimated employer debt for Hightown was £23,031,324 (30 September 2013: £17,943,595).

Deficit Recovery Plan Payments

During 2014/15 Hightown made payments into the pension fund under the above Deficit Recovery Plans as follows:

Scheme Valuation Date	Deficit Recovery Payments 2014/15 £	Deficit Recovery Payments due 2015/16 £	Annual Increase	Payments Cease
2008 Valuation	248,436	260,112	4.7%	30 September 2023
2011 Valuation	128,574	132,431	3.0%	30 September 2026
Total paid /due	377,010	392,543		

The total future sum payable by Hightown under the deficit recovery plan from 1 April 2015 is £3,815,298.

B. THE PENSIONS TRUST GROWTH PLAN

Hightown participates in The Pensions Trust Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Hightown paid no contributions into the fund during the accounting period as the only active members participate by making AVC contributions only into the fund under Series 4.

As at the balance sheet date there were 3 active members of the Plan employed by Hightown. Hightown continues to offer membership of the Plan under Series 4 to its employees for the purposes of AVC's only.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Assumptions	% p.a.
Rate of return pre retirement	4.9
Rate of return post retirement:	
- Active/Deferred	4.2
- Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60%

expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary is currently finalising the 2014 valuation and the results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4.The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2014. As of this date the estimated employer debt for Hightown was £74,325.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,512 per annum rising by 3% per annum compound for a further 8 years from 1 April 2015. The total sum payable from 1 April 2015 is £49,016.

C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Plan characteristics and associated risks

The LGPS is a defined benefit statutory Fund administered in accordance with the Local Government Pension Scheme Regulations 2013/14, is contracted out of the State Second Pension and benefits accrued up to 31 March 2015 are currently based on career average revalued salary and length of service on retirement.

The Administering Authority for the Fund is Buckinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the Administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Authority to the Fund, Buckinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by Hightown, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that Employers are exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long -term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.
All of the risks above may also benefit Employers e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Hightown paid employer's contribution to the BCCPF during the year ended 31 March 2015 amounting to £5,291 (2014: £6,394) at a contribution rate of 20.1% (2014 17.8%) of pensionable salaries.

This is the third year that the actuarial FRS17 figures are included in the accounts. Prior to 31 March 2013, no FRS17 disclosure was made on the basis of immateriality. Historical comparatives have been shown back to 2013 only, owing to the lack of availability of complete comparatives for 2012.

Valuation Data

Data Sources
In completing calculations for pension accounting purposes the following items of data from Buckinghamshire County Council have been used:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes.
- Estimated whole Fund income and expenditure items for the period to 31 March 2015.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2014 and 31 December 2014, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2015.
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2015; and
- Details of any new early retirements for the period to 31 March 2015 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service costs.

Although some of these data items have been estimated, they are not likely to have a material effect on the results of this report.

Employer Membership Statistics
The membership data at 31 March 2013 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	2	43	59
Deferred Pensioners	2	15	49
Pensioners	4	15	62
Unfunded Pensioners	n/a	n/a	n/a

The service cost for the year ending 31 March 2015 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £28,000. The projected service cost for the year ending 31 March 2016 has been calculated assuming payroll remains at this level over the year.

Early Retirements
There were no early retirements for the year ending 31 March 2015.

Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 12%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2015 is as follows:

Asset Share – bid value	31 March 2015		31 March 2014	
	£'000	%	£'000	%
Gilts	72	12%	26	5%
UK Equities	316	55%	361	68%
Other bonds	75	13%	53	10%
Property	50	9%	42	8%
Cash	11	2%	5	1%
Alternative assets	9	1%	n/a	n/a
Hedge Funds	22	4%	21	4%
Absolute return portfolio	24	4%	21	4%
Total	579	100%	529	100%

Bid values have been estimated where necessary. The final asset allocation of the Fund assets as at 31 March 2015 is likely to be different from that shown due to estimation techniques. Based on the above, Hightown's share of the assets of the Fund is less than 1%.

Actuarial methods and assumptions

Valuation Approach
To assess the value of Hightown's liabilities at 31 March 2015, the value of Hightown's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with FRS17.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However, the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of Hightown and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share we have rolled forward the assets allocated to Hightown at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of Hightown and its employees.

Valuation Method
As required under FRS17, the projected unit method of valuation has been used to calculate the service cost.

Demographic/Statistical Assumptions

The demographic assumptions are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted were the S1PA tables with a 90% multiplier. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2015	31 March 2014
Retiring today			
	Males	23.7	23.6
	Females	26.1	26.0
Retiring in 20 years			
	Males	26.0	25.8
	Females	28.4	28.3

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS top pay 50% of contributions for 50% of benefits.

Financial Assumptions

Assumptions as at:	31 March 2015		31 March 2014		31 March 2013	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.2%	-	3.6%	-	3.3%	-
CPI increases	2.4%	(0.8%)	2.8%	(0.8%)	2.5%	(0.8%)
Salary increases	4.2%	1.0%	4.6%	1.0%	4.7%	1.4%
Pension increases	2.4%	(0.8%)	2.8%	(0.8%)	2.5%	(0.8%)
Discount rate	3.3%	0.1%	4.5%	0.9%	4.0%	0.7%

These assumptions are set with reference to market conditions at 31 March 2015. The estimated duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, (BoE) specifically the 19 year point on the BoE spot inflation curve. The RPI assumption is therefore 3.2%pa. This approach is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, it is assumed that CPI will be 0.8% below RPI i.e. 2.4%. This is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However a short-term overlay has been used from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Expected Return On Assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost will be replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Therefore no expected return assumption is required for the year to March 2016.

For the year to 31 March 2015, the expected return was 6.4% per annum, which has been used to determine the profit and loss charge for the year ended 31 March 2015.

Past Service Costs/Gains, Curtailments and Settlements.
Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. There have been no additional benefits granted over the year ending 31 March 2015.
No employees were permitted to take unreduced early retirement.
There were no liabilities settled at a cost materially different to the accounting reserve during the year.

Statement of Financial Position

Net pension assets as at	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000
Present value of the defined benefit obligation	907	769	827
Fair value of Fund assets (bid value)	579	529	574
Deficit	328	240	253

Statement of profit or loss for the year

The amounts recognised in the income and expenditure statement	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Current service cost	9	10
Interest on obligation	34	32
Expected return on Scheme assets	(33)	(32)
Total loss	10	10
Actual return on Fund assets	64	36

Asset and benefit obligation reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Opening defined benefit obligation	769	827
Current Service cost	9	10
Interest cost	34	32
Actuarial losses (gains)	114	(43)
Estimated benefits paid net of transfers in	(21)	(59)
Contributions by Fund participants	2	2
Closing Defined Benefit obligation	907	769

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 March 2015 £'000	Period to 31 March 2014 £'000
Opening fair value of Fund assets	529	574
Expected return on Fund assets	33	32
Actuarial gains (losses)	31	(27)
Contributions paid by employer included unfunded	5	6
Contributions by Fund participants	2	2
Estimated benefits paid net of transfers in and including unfunded	(21)	(59)
Fair value of Fund assets at end of year	579	529

Reconciliation of opening and closing surplus	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Deficit at beginning of the year	(240)	(253)
Current Service Cost	(9)	(10)
Employer contributions	5	6
Other finance income	(1)	-
Actuarial gains (losses)	(83)	17
Deficit at end of the year	(328)	(240)

Sensitivity Analysis

This table sets out the impact of a small change in the assumptions.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	891	907	924
Projected service cost	10	10	10

Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	907	907	907
Projected service cost	10	10	10

Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	924	907	890
Projected service cost	10	10	10

Adjustment to mortality age rating assumption	+1 year	None	-1 year
	£'000	£'000	£'000
Present value of total obligation	876	907	939
Projected service cost	10	10	10

Amounts For The Current And Previous Periods

Amounts for the current and previous periods	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Defined Benefit obligation	(907)	(769)	(827)
Fund assets	579	529	574
Deficit	(328)	(240)	(253)
Experience adjustments on Fund liabilities	-	68	-
Percentage of liabilities	-	8.8%	-
Experience adjustments on Fund assets	31	(27)	9
Percentage of assets	5.4%	(5.0%)	1.6%
Cumulative actuarial gains and (losses)	(179)	(96)	(113)

Statement of Recognised Surpluses and Deficits

Statement of total recognised surpluses and deficits (STRSD)	Year to 31 March 2015 £'000	Year to 31 March 2014 £'000
Actual return less expected return on Fund assets	31	4
Experience gains and losses	-	38
Changes in assumptions underlying the present value of the Fund liabilities	(114)	(25)
Actuarial gains (losses) in pension scheme	(83)	17
Actuarial gains (losses) recognised in STRSD	(83)	17

Projected Pension Expenses For The Year To 31 March 2016

Projections for the year to 31 March 2016	Year to 31 March 2016 £'000
Service cost	10
Net interest on the defined liability	11
Total loss	21
Employer contributions	6

D. NHS PENSION SCHEME

There is 1 active member in the NHS scheme who transferred to Hightown under TUPE arrangements when services were transferred to Hightown. The NHS scheme is an unfunded Government scheme and no pension fund deficit liability arises to Hightown.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHTOWN HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2016

We have audited the financial statements of Hightown Housing Association Limited for the year ended 31 March 2016 which comprise the association statement of comprehensive income, the association statement of financial position, the association statement of changes in equity, the 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members 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 Financial Reporting Council's (FRC'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 FRC's website at 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 association's affairs as at 31 March 2016 and of the association's surplus 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the association; or
- a satisfactory system of control has not been maintained over transactions; or
- the association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP.

BDO LLP, statutory auditor
Gatwick, West Sussex, United Kingdom
Date: 24 August 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hightown Housing Association Limited
STATEMENT OF COMPREHENSIVE INCOME
As at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
TURNOVER	3	**50,687**	**46,213**
Operating costs	3	(34,033)	(29,791)
OPERATING SURPLUS	3,6	**16,654**	**16,422**
Surplus on sale of properties & other fixed assets		3,190	2,178
Interest receivable and similar income		1,522	106
Interest and financing costs	7	(7,100)	(6,061)
SURPLUS FOR THE YEAR		**14,266**	**12,645**
Actuarial (loss)/gain on defined benefit pension scheme		38	(88)
Unrealised gain/(loss) on revaluation of investments	12	(19)	444
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,285**	**13,001**

All activities are continuing.

The notes on pages 48 to 78 form part of these financial statements.

The financial statements were approved by the Board on 11 August 2016.

Tony Keen

Tony Keen - Chair *James Steel - Board Member* *David Skinner - Secretary*

STATEMENT OF CHANGES IN RESERVES

As at 31 March 2016

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2014	**55,167**	**125**	**299**	**55,591**
Surplus for the year 2014/15	**12,645**	**-**	**-**	**12,645**
	67,812	**125**	**299**	**68,236**
Actuarial gains/(losses) relating to defined benefit pension scheme	(88)	-	-	(88)
Surplus on revaluation of investment	-	-	444	444
Other comprehensive income for the year	**(88)**	**-**	**444**	**356**
Transfer of restricted expenditure from unrestricted reserve	**(38)**	**38**	**-**	**-**
Balance at 31 March 2015	**67,686**	**163**	**743**	**68,592**
Balance as at 1 April 2015	**67,686**	**163**	**743**	**68,592**
Surplus for the year 2015/16	**14,266**	**-**	**-**	**14,266**
	81,952	**163**	**743**	**82,858**
Actuarial gains/(losses) relating to defined benefit pension scheme	38	-	-	38
Surplus on revaluation of investment	-	-	(19)	(19)
Other comprehensive income for the year	**38**	**-**	**(19)**	**19**
Transfer of restricted expenditure from unrestricted reserve	**(4)**	**4**	**-**	**-**
Balance at 31 March 2016	**81,986**	**167**	**724**	**82,877**

The notes on pages 48 to 78 form part of these financial statements.

Hightown Housing Association Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
TANGIBLE FIXED ASSETS			
Housing properties	*10*	465,088	425,493
Other fixed assets	*11*	5,680	5,690
Investments - other	*12*	2,630	2,649
TOTAL FIXED ASSETS		**473,398**	**433,832**
CURRENT ASSETS			
Properties awaiting sale	*13*	3,053	2,483
Trade and other debtors	*14*	2,942	3,476
Cash and cash equivalents	*15*	16,536	9,350
		22,531	**15,309**
CREDITORS: Amounts falling due within one year	*16*	**(15,510)**	**(11,613)**
NET CURRENT ASSETS		**7,021**	**3,696**
TOTAL ASSETS LESS CURRENT LIABILITIES		**480,419**	**437,528**
CREDITORS: Amounts falling due after more than one year	*17*	**392,490**	**364,995**
PROVISON FOR LIABLITIES			
Pension Liability		**4,916**	**3,860**
Other Provisions		**136**	**81**
TOTAL NET ASSETS		**82,877**	**68,592**
CAPITAL AND RESERVES			
Share capital	*23*	-	-
Income and Expenditure Reserve		81,986	67,686
Restricted reserve		167	163
Revaluation reserve		724	743
TOTAL RESERVES		**82,877**	**68,592**

The notes on pages 48 to 78 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 11 August 2016.

Tony Keen - Chair *James Steel - Board Member* *David Skinner - Secretary*

STATEMENT OF CASH FLOW

For the year ended 31 March 2016

	Note	2016 £'000	Restated 2015 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		14,285	13,001
Adjustments for:			
Depreciation of fixed assets – housing properties	*10*	4,239	3,609
Depreciation of fixed assets – housing component write off	*10*	183	102
Depreciation of fixed assets – other	*11*	255	250
Amortised grant	*29*	(1,635)	(1,606)
Net fair value losses/(gains) recognised in profit or loss		19	(444)
Interest payable and finance costs	*7*	7,100	6,061
Interest received and income from investments		(1,522)	(106)
Actuarial (gain)/loss on defined benefit scheme		(38)	88
Surplus on sale of fixed assets – housing properties		(3,187)	(2,181)
Surplus on sale of fixed assets - other		(3)	3
Receipt of donated land/assets	*10*	-	(550)
Decrease / (increase) in stocks	*13*	60	(63)
Decrease / (increase) in trade and other debtors	*14*	(183)	(246)
Increase / (decrease) in trade creditors	*16*	123	221
Increase / (decrease) in provisions	*22*	1,149	(104)
Net cash from operations		**20,845**	**18,035**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fixed assets – housing properties	*10*	8,632	6,974
Transction costs for sale of housing properties		(207)	(41)
Proceeds from sale of fixed assets – other	*11*	13	-
Purchase of fixed assets – housing properties	*10*	(47,531)	(49,731)
Purchase of fixed assets – other	*11*	(255)	(169)
Receipt of grant	*10*	4,564	2,911
Interest received and income from investments		1,522	106
Net cash from investing activities		**(33,262)**	**(39,950)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	*7*	(7,915)	(6,475)
New loans	*21*	49,500	23,000
Debt issue costs incurred	*21*	(725)	(384)
Repayment of loans	*21*	(21,257)	(1,325)
Net cash used in financing activities		**19,603**	**14,816**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,186**	**(7,099)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**9,350**	16,449
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**16,536**	**9,350**

The notes on pages 48 to 78 form part of these financial statements.

1 LEGAL STATUS

Hightown Housing Association Limited (the Association) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 with registration 18077R and registered with the Homes and Communities Agency as a registered housing provider with registration L2179. It is an exempt charity.

2 ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. This is the first year in which the financial statements have been prepared under FRS102. Please see note 29.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

Significant Judgements and Estimates

Preparation of the financial statements require management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- Allocation of costs for mixed tenure developments
  On scheme with a mixed tenure development ie it includes both Affordable rented properties and Shared Ownership properties, an allocation of the land cost, property build costs, professional fees and other costs is made between the relevant units.
- Allocation of costs for shared ownership properties
  Where costs are not separately invoiced, costs are allocated to shared ownership properties on the basis of floor area.
- Recoverability of the cost of properties developed for shared ownership sale.
  Management review the housing market regularly and carry out

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants. Turnover is recognised on the following basis:

- Rental income is recognised on a time apportioned basis and is stated net of losses from void properties;
- Fees and income from the provision of Residential Care, Supporting People and Management Services are recognised as the services are provided;
- Income paid in respect of cyclical and major repairs is deferred until such time as the related expenditure is incurred;
- Income from the sale of 1st Tranche Shared Ownership properties is recognised as properties are sold.

Value Added Tax

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Irrecoverable VAT is charged to the income and expenditure account and is allocated to the different activities on the same basis as the corresponding costs are allocated.

Holiday Pay Accrual

A liability has been recognised to record any unused holiday pay entitlement accrued at the balance sheet date and accrued to future periods.

Interest Payable
Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest is capitalised from the date of the site acquisition to the date of practical completion. Other interest payable is charged to the income and expenditure account in the year.

Pensions
The Association participates in four multi-employer defined benefit schemes; the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pension Scheme. The latter two schemes relate to employees who transferred to the Association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

For the SHPS, Growth Plan scheme, and NHS scheme, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

The Buckinghamshire County Council Pension Fund is accounted for under FRS102. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any change in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Association also participates in a Defined Contribution Scheme with the Social Housing Pension Scheme. This is the main pension fund and auto-enrolment vehicle for the Association.

Supported Housing
The treatment of income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk or not.

Where the Association holds the support contract with the relevant commissioning authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account (see note 3).

Where the Association has appointed an agent to provide support to the service users and the agent holds the support contract with the commissioning authority (and carries the financial risk), the income and expenditure account includes only that income and expenditure which relates solely to the Association.

Interest Rate Fixings
The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Housing Properties
Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other apportioned direct costs, incurred on the developments from the date from which it is reasonably likely that the development will go ahead, to the date of practical completion.

Shared Ownership properties are split proportionately between current and fixed assets based on the first tranche proportion. The first tranche proportion is accounted for as a current asset and the related sales proceeds shown in turnover. The remaining element of the Shared Ownership property is accounted for as a fixed asset and any subsequent staircasing is treated as a part disposal of a fixed asset. Shared Ownership properties are included in housing properties at cost less any provisions needed for impairment.

The net surplus on the sale of housing properties (including Shared Ownership property staircasing) represents proceeds less applicable cost and expenses. Any applicable social housing grant is transferred to the Recycled Capital Grant Fund held in long term creditors. Right to Acquire and Right to Buy sales are accounted for by transfer of the net surplus and the associated grant to the Disposal Proceeds Fund also held in long term creditors.

Depreciation of Housing Properties
Housing properties under construction are stated at cost and are not depreciated. Freehold land is not depreciated.

The Association depreciates freehold housing properties by component so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost less residual value.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate if shorter, at the following annual rates:

Asset Component	Useful lives	Rate
Building Structure		
- houses	100 years	1.00%
- flats	80 years	1.25%
Roof	80 years	1.25%
Windows and external doors	30 years	3.33%
Bathrooms	30 years	3.33%
Electrical systems	30 years	3.33%
Lifts	30 years	3.33%
Kitchens	20 years	5.00%
Heating systems	15 years	6.66%

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Property partially sold under shared ownership leases are no longer depreciated as the responsibility for repair and maintenance are held by the shared owner and the market value of Hightown's retained equity exceeds the book cost. This is a change in accounting policy in this financial year. As a result of the change in policy an adjustment was made to increase the book cost of shared ownership properties shown under fixed assets at 1 April 2014 by £1.89 million.

Land Received At Less Than Market Value
Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

Social Housing Grant
Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and local authorities. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due or received in advance is included as an asset or liability as appropriate. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates using the accrual model set out in FRS102 and the Housing SORP 2014 for government grants.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency.
SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

Other Grant
These include grants from local authorities and other organisations. Government Grants are dealt with under the accrual model within FRS102 and are credited to the income and expenditure account in the same period as the expenditure to which they relate. Other grants are dealt with under the performance method and recognised to income and expenditure once the conditions for the grant are complete.

Impairment
Properties depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 102 and the SORP 2014, subject to impairment reviews annually.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

Investments
Investments are held at market value. Any movement in the value of investments is recorded in the Revaluation Reserve and the Statement of Comprehensive Income.

Other Tangible Fixed Assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building	2%
Furniture, fixtures and fittings	2½% to 10%
Computers / office equipment	33% / 20%
Motor vehicles	25%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, these components are depreciated over the lives of those components.

Leased Assets
Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Reserves
Any unexpended income which is restricted as to its use, is treated as a restricted reserve. Transfers are made between the revenue reserve and the restricted funds to represent the receipt of restricted income and the subsequent expenditure of such income.

Trust Funds
Funds held by the Association on trust for leaseholders are recognised as an asset of the Association where the Association has control of the funds. A corresponding creditor is also recognised. Leaseholders' funds held for major repairs are maintained in separate interest bearing accounts for this purpose and fall under a deed of trust dated 23rd June 1993. Any income received on the funds so held is credited to leaseholders.

Loan Issue Costs and Premium
In accordance with SORP 2014 the issue costs of loans have been deducted from the gross loan values. Issue costs are amortised over the period of the loan to which they relate. Similarly the premium received on the loan proceeds from The Housing Finance Corporation (THFC) bond issue is amortised into the income and expenditure account to offset interest paid over the life of the loan.

Allocation Of Costs
Costs are allocated to the different categories of social housing activities on the following basis:

- Direct costs are allocated to the relevant activity.
- Where direct costs relate to a number of different activities they are apportioned to those different activities on a fair basis.
- Overhead costs are allocated to different activities, primarily based on the estimated time spent by the Association's staff in managing the different activities.

Recycled Capital Grant Fund
The Recycled Capital Grant Fund (RCGF) contains social housing grant released by property sales (other than Right to Acquire or Right to Buy) for re-use on funding new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

Disposal Proceeds Fund
The Disposal Proceeds Fund (DPF) contains social housing grant released by property sales under Right to Acquire or Right to Buy for re-use on funding new developments. If unused within a three year period from the start of the following financial year, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

Mixed Tenure Schemes
The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2014. Where a development is evaluated as a single scheme with more than one element and where one or more of those elements are expected to generate a surplus and one or more of the other elements has an EUV-SH value that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

Service Charges
All service charges are variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future years charge. Any shortfall or surplus arising is shown in the Statement of Financial Position within debtors or creditors as appropriate.

3 NOTE A – PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

Continuing activities	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000	Restated 2015 Turnover £'000	Restated 2015 Operating costs £'000	Restated 2015 Operating surplus £'000
SOCIAL HOUSING LETTINGS (See Note B)	**40,159**	**(24,193)**	**15,966**	**37,265**	**(22,105)**	**15,160**
OTHER SOCIAL HOUSING ACTIVITIES						
Current asset property sales	7,699	(6,526)	1,173	6,639	(5,432)	1,207
Supporting People contract income	1,402	(1,402)	-	1,006	(1,006)	-
Management services	487	(998)	(511)	451	(390)	61
Aborted development costs	-	(85)	(85)	-	(30)	(30)
Other	269	(86)	183	147	(67)	80
	9,857	**(9,097)**	**760**	**8,243**	**(6,925)**	**1,318**
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Registered nursing homes	547	(603)	(56)	553	(591)	(38)
Other - Charity Shop	124	(140)	(16)	152	(170)	(18)
	671	**(743)**	**(72)**	**705**	**(761)**	**(56)**
TOTAL	**50,687**	**(34,033)**	**16,654**	**46,213**	**(29,791)**	**16,422**

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

NOTE B - INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

INCOME	General Needs Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Residential Care Homes £'000	2016 Total £'000	Restated 2015 Total £'000
Rent receivable net of identifiable service charges	19,911	3,267	2,262	156	25,596	22,797
Service charge income	1,102	1,409	649	-	3,160	3,093
Charges for support services	-	84	-	-	84	469
Amortised Government Grants	1,271	232	132	-	1,635	1,606
Other revenue grants [C&SH]	9	6,864	1	2,810	9,684	9,300
TURNOVER FROM SOCIAL HOUSING LETTINGS	**22,293**	**11,856**	**3,044**	**2,966**	**40,159**	**37,265**
EXPENDITURE						
Management	(2,550)	(321)	(231)	(405)	(3,507)	(3,115)
Support Service costs	(269)	(7,374)	(2)	(2,377)	(10,022)	(9,072)
Service charge costs	(1,005)	(1,126)	(382)	(150)	(2,663)	(2,870)
Routine maintenance	(1,935)	(355)	(11)	(47)	(2,348)	(2,192)
Planned maintenance	(298)	(42)	(1)	(3)	(344)	(343)
Major repairs expenditure	(466)	(240)	(3)	(52)	(761)	(723)
Bad debts	(104)	(21)	-	-	(125)	(80)
Depreciation of housing properties	(3,848)	(522)	(31)	(22)	(4,423)	(3,710)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	**(10,475)**	**(10,001)**	**(661)**	**(3,056)**	**(24,193)**	**(22,105)**
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	**11,818**	**1,855**	**2,383**	**(90)**	**15,966**	**15,160**
Void losses	(155)	(182)	(102)	(3)	(442)	(435)

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 114 supported housing tenancies (2015:108) that are managed on its behalf under management agreements by other bodies that carry the financial risk. The Association's income and expenditure account includes only the income and expenditure for which it retains responsibility.

5 ACCOMMODATION IN MANAGEMENT

	2016 No.	2015 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General needs housing		
- Social rent	2,301	2,283
- Affordable rent	463	209
	2,764	2,492
Intermediate rent	240	249
Supported housing	551	547
Housing for older people	81	81
Low Cost Home Ownership (Shared Ownership)	659	633
Leasehold	652	591
Held for development	13	14
Total Owned	**4,960**	**4,607**
Accommodation managed for others	108	108
Total Managed	**5,068**	**4,715**
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	**5,076**	**4,723**
Units under development at the year end	**734**	**345**

6 OPERATING SURPLUS

	2016 £'000	Restated 2015 £'000
This is arrived at after charging / (crediting):		
Depreciation of housing properties	4,239	3,082
Accelerated depreciation on replaced components	183	102
Depreciation of other tangible fixed assets	255	250
Operating lease rentals	103	107
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	32	25
- for non-audit services	10	21

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	Restated 2015 £'000
Loans and bank overdrafts	8,308	6,942
Recycled Capital Grant Fund	9	3
Disposal Proceeds Fund	-	-
Net interest on net defined benefit pension liability	64	104
	8,381	7,049
Interest capitalised on construction of housing properties	(1,281)	(988)
	7,100	6,061
Capitalisation rate used to determine the amount of finance costs capitalised during the period	3.34%	2.84%

8 EMPLOYEES

Employee costs:	2016 £'000	Restated 2015 £'000
Wages and salaries	12,566	11,921
Social security costs	972	900
Other pension costs	1,787	515
	15,325	13,336

During the year the Association paid £118,798 (2015: £24,900) in respect of redundancy and severance payments. These values are included within the analysis above.

In 2016, the Association agreed to make further deficit plan recovery payments to the Social Housing Pension Fund. The additional liability of £1.5 million appears in the Statement of Financial Position and is recognised within other pension costs above. Further information on pensions appears at note 30.

	2016 No.	2015 No.
Average monthly number of employees (full time equivalents):		
Administration	63	47
Development	12	10
Housing, support and care	413	343
	488	400

Staff numbers in Care & Supported Housing schemes are expressed against their standard 37.5 hour per week. Other staff numbers are expressed against their standard 35 hour week.

9 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members

None of the Board members received emoluments. Total expenses reimbursed during the year to Board members were £3,836 (2015: £2,035).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £797,308 (2015: £691,695).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £147,814 (2015: £136,868). Pension contributions in the year were £11,188 (2015: £10,501).

The aggregate amount of compensation payable to directors for loss of office during the year was £60,000 (2015: nil).

Employees

The full time equivalent number of staff whose remuneration payable in respect of the year excluding pension contributions was more than £60,000, by salary band was as follows:

Salary band	2016 No.	2015 No.
£ 60,000 - £ 69,999	4	3
£ 70,000 - £ 79,999	-	1
£ 80,000 - £ 89,999	1	1
£ 90,000 - £ 99,999	1	1
£100,000 - £109,999	2	2
£110,000 - £119,999	-	-
£120,000 - £129,999	1	-
£130,000 - £139,999	-	1
£140,000 - £149,999	1	-

The executive directors are members of the Social Housing Pension Scheme as ordinary members of the pension scheme and no enhanced or special terms apply.

The key management personnel of the Association are defined as the members of the Board of Management, the Chief Executive and the executive management team as disclosed on page 2.

10 FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties held for lettings	Properties in the course of completion Rental Units	Properties in the course of completion Shared Ownership	Shared Ownership properties	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 April 2015 (Restated)	347,352	35,113	18,864	53,138	454,467
Additions	78	44,400	4,146	0	48,624
Properties completed	39,922	(39,922)	(6,535)	6,535	0
Components capitalised	1,261	0	0	0	1,261
Transfer to properties held for sale	(630)	0	0	0	(630)
Disposals	(1,062)	(165)	0	(4,671)	(5,898)
As at 31 March 2016	386,921	39,426	16,475	55,002	497,824
DEPRECIATION					
As at 1 April 2015 (Restated)	28,974	0	0	0	28,974
Charge for the year	4,239	0	0	0	4,239
Eliminated on Disposals	(477)	0	0	0	(477)
As at 31 March 2016	32,736	0	0	0	32,736
NET BOOK VALUE					
As at 31 March 2016	354,185	39,426	16,475	55,002	465,088
As at 31 March 2015 (Restated)	318,378	35,113	18,864	53,138	425,493

Expenditure on works to existing properties:	2016 £'000	2015 £'000
Components capitalised	1,261	1,084
Amounts charged to income and expenditure account	706	678
	1,967	1,762

Social Housing Grant	2016 £'000	2015 £'000
Deferred Capital Grant	130,938	129,969
Recycled Capital Grant Fund	2,516	1,260
Disposal Proceeds Fund	124	124
Revenue Grant – I&E	1,635	1,606
Revenue Grant - Reserves	14,855	13,249
	150,068	146,208

Housing properties book value, net of depreciation, comprises:	2016 £'000	Restated 2015 £'000
Freehold land and buildings	412,213	376,892
Long leasehold land and buildings	52,875	48,601
	465,088	425,493

Additions to properties include:	2016 £'000	2015 £'000
Development overheads capitalised	1,443	1,367
Capitalised interest	1,284	988

11 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 April 2015	6,032	253	225	624	35	7,169
Additions	13	19	35	148	40	255
Disposals	0	0	(4)	0	(35)	(39)
As at 31 March 2016	6,045	272	256	772	40	7,385
Less: Depreciation						
As at 1 April 2015	683	66	202	508	20	1,479
Charged in year	115	25	13	95	7	255
Released on disposal	0	0	(2)	0	(27)	(29)
As at 31 March 2016	798	91	213	603	0	1,705
Net book value						
As at 31 March 2016	5,247	181	43	169	40	5,680
As at 31 March 2015	5,349	187	23	116	15	5,690

12 INVESTMENTS

UK Government Gilt

The Association has a £30 million maturity loan with The Housing Finance Corporation Ltd (THFC). Under the agreement the Association is required to maintain an Interest Service Reserve Fund (ISRF) at least equal to 12 months interest on the loan (£1.9m).

This sum is invested in a UK Government Gilt to minimise risk. To minimise any interest cost between the loan rate and the investment rate, a Gilt that closely matches the maturity date of the underlying bond (July 2039) was purchased, namely the 4.75% UK Treasury due 2038. It is intended to hold this Gilt to maturity.

Movement in investment:	2016 £'000
Value 1 April 2015	2,649
Valuation movement in year	(19)
Value 31 March 2016	2,630

The historic cost of the investment was £1,905,943 with a nominal value of £1,808,000.

13 PROPERTIES AWAITING SALE

	2016 £'000	2015 £'000
Shared Ownership properties	2,423	1,949
Vacant properties awaiting sale	630	534
	3,053	2,483

	No.	No.
Shared Ownership properties	24	24
Vacant properties awaiting sale	6	7
	30	31

The stock of Shared Ownership properties is the cost of the anticipated first tranche sale to shared owners.

14 DEBTORS

	2016 £'000	Restated 2015 £'000
Due within one year		
Rent and service charge arrears	1,141	1,098
Less: Provision for bad and doubtful debts	(817)	(769)
	324	329
Estate service charges recoverable	605	525
Revenue grants receivable	389	1,106
Other debtors	198	170
Prepayments and accrued income	1,426	1,346
	2,942	3,476

15 BANK AND CASH

	Note	2016 £'000	2015 £'000
Bank accounts held on trust	*2*	1,261	1,116
Other bank accounts		15,274	8,233
Cash in hand		1	1
		16,536	9,350

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2016 £'000	Restated 2015 £'000
Debt	*21*	2,879	1,319
Trade creditors		1,418	1,668
Rent and service charges received in advance		1,274	1,146
Revenue grants received in advance		77	98
Recycled Capital Grant Fund	*19*	384	125
Other taxation and social security		290	223
Deferred Grant income	*18*	1,657	1,635
Other creditors		541	233
Development and works retentions		5,294	3,803
Accruals and deferred income		1,696	1,363
		15,510	11,613

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2016 £'000	Restated 2015 £'000
Debt	*21*	256,061	230,103
Recycled Capital Grant Fund	*19*	2,132	1,135
Disposal Proceeds Fund	*20*	124	124
Premium on THFC Loan Issue *		3,362	3,506
Deferred Grant income	*18*	129,281	128,334
Leaseholder Sinking Funds		97	81
Leaseholder Trust Funds		1,102	963
Development and works retentions		331	749
		392,490	364,995

* In January 2011 the Association received by way of loan, the proceeds of a bond issued by The Housing Finance Corporation (THFC) at a premium to par. This premium will be amortised to the income and expenditure account over the remaining life of the loan (23 years) to offset interest paid.

18 DEFERRED CAPITAL GRANT

	Note	2016 £'000	2015 £'000
At 1 April		129,969	128,068
Grant received in year		3,699	4,195
Grant recycled from RCGF and DPF		125	60
Grant recycled to RCGF		(1,220)	(748)
Released to income in the year	*3*	(1,635)	(1,606)
At 31 March		130,938	129,969

	Note	2016 £'000	2015 £'000
Amounts to be released within one year	*16*	1,657	1,635
Amounts to be released in more than one year	*17*	129,281	128,334
		130,938	129,969

19 RECYCLED CAPITAL GRANT FUND

	2016 £'000	2015 £'000
Opening balance 1 April	1,260	569
Additions:		
Grant recycled from Deferred Capital Grant	1,220	748
Grant recycled from Statement of Comprehensive Income	152	-
Interest accrued	9	3
Drawdown:		
New build	(125)	(60)
Closing balance 31 March	2,516	1,260

20 DISPOSAL PROCEEDS FUND

	2016 £'000	2015 £'000
Opening balance 1 April	124	-
Additions:		
Grant recycled	-	124
Closing balance 31 March	124	124

21 DEBT ANALYSIS

	2016 £'000	2015 £'000
Bank loans		
Due within one year	3,368	1,693
Between one and two years	3,976	48,451
Between two and five years	42,207	37,201
After five years	211,743	146,137
Total after one year	257,926	231,789
Total bank loans	261,294	233,482
Unamortised loan costs		
Due within one year	(489)	(374)
Between one and two years	(465)	(330)
Between two and five years	(453)	(491)
After five years	(947)	(865)
Total after one year	(1,865)	(1,686)
Total unamortised loan costs	(2,354)	(2,060)
Total		
Due within one year	2,879	1,319
Between one and two years	3,511	48,121
Between two and five years	41,754	36,710
After five years	210,796	145,272
Total after one year	256,061	230,103
Total	258,940	231,422

Security
Loans are secured by fixed charges on individual housing properties and the central office building except for the £27 million loan from Retail Charity Bonds plc where unencumbered assets of £35 million are retained.

Terms of repayment and interest rates
The loans are repayable at intervals varying from half yearly to annually, and on maturity. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2015: 2016 to 2039).

Fixed interest rates payable at 31 March 2016 averaged 5.30% (2015: 5.63%) ranging from 4.38% to 10.50% (2015: 4.40% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2015/16 was 3.37% (2015: 3.14%).

At 31 March 2016 the Association had £42.5 million of undrawn loan facilities (2015: £45.0 million).

On 30 June 2016 the Association signed a £35 million loan agreement with Northern Bank Ltd (t/a Danske Bank).

22 PROVISIONS FOR LIABILITIES – OTHER PROVISIONS

	SHPS Pension Deficit Contribution	Growth Fund Deficit Contribution	Leave Pay	Total
	£'000	£'000	£'000	£'000
As at 1 April 2015	3,486	45	82	3,613
Additions	-	-	54	54
Amendment to contribution schedule	1,444	14	-	1,458
Remeasurement	(28)	-	-	(28)
Utilised	(393)	(5)	-	(398)
Unwinding of discount	63	-	-	63
At 31 March 2016	4,572	54	136	4,762

The Leave Pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

The SHPS Pension and Growth Plan Deficit Contributions are referred to in note 30. The provisions are based on the net present value of payments agreed at the year end under the recovery plans. The provision may be adjusted following the triennial valuations of the schemes. Any change in the provision will be shown within operating costs in the income and expenditure account. The unwinding of the discount is shown as a finance cost. The discount rate used in calculating the SHPS pension deficit contribution provision changed from 1.92% at 31 March 2015 to 2.06% at 31 March 2016, as a result the provision reduced.

23 SHARE CAPITAL

Shares of £1 each issued and fully paid	2016 No.	2015 No.
As at 1 April	27	35
Shares issued in the year	3	3
Shares surrendered during the year	(1)	(11)
As at 31 March	29	27

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions on a winding up.

24 FINANCIAL COMMITMENTS

Capital Expenditure	2016 £'000	2015 £'000
Expenditure contracted for but not provided in the accounts	105,219	59,399
Expenditure authorised by the Board but not contracted	43,367	89,754
	148,586	149,153

The Association is forecasting to spend £64.4 million of the contracted commitments in 2016/17. This will be financed by use of the undrawn committed loan facilities (£42.5 million) referred to in note 21 above, first tranche shared ownership sales, social housing grant, site sub-sales, cash in hand, surplus revenue cash generated in the year and new borrowing facilities. A £35 million loan facility has been arranged since the year end (note 28).

A further £29.4 million contracted commitment is forecast to be spent in 2017/18 with the remaining £11.4 million forecast to be spent over the 4 years thereafter. The Association's policy is to ensure that expenditure is commited as funding resources are made available.

25 LEASING COMMITMENTS

The payments which the Association is committed to make under operating leases are as follows:

	2016 £'000	2015 £'000
Office equipment and vehicles:		
- Within one year	17	22
- Between one and two years	17	35
- Between two and five years	9	17
- After five years	-	1
	43	75

26 FINANCIAL ASSETS AND LIABILITIES

The Association's financial liabilities are sterling denominated. After taking into account interest rate fixings, the interest rate profile of the Association's financial liabilities at 31 March is as below:

	Note	2016 £'000	2015 £'000
Floating rate		160,135	159,012
Fixed rate		101,159	74,470
		261,294	233,482
Loan costs		(2,354)	(2,060)
Total	*21*	258,940	231,422

The fixed rate financial liabilities have a weighted average interest rate of 5.30% (2015: 5.63%) and the weighted average period for which it is fixed is 16.8 years (2015: 20.5 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates linked to the London Interbank Offered Rate (LIBOR) plus agreed loan margin.

27 RELATED PARTIES

Board and Committee Members
One board member, Philip Day, was a tenant board member throughout 2015/16 and his tenancy was let on a standard Association tenancy agreement at normal commercial terms. The total amount payable was £5,540 (2015: £5,758).

Two Board members are local authority Councillors:

Brian Ellis	St Albans District Council
Carol Green	Dacorum Borough Council (until 07/05/2015)

The local authorities have nomination rights over tenancies for certain Association properties.
All transactions with local authorities are made at arm's length, on normal commercial terms.
No Board member is able to use his/her position on the Board to their advantage.

The Association does not consider its Resident Committee Members to be related parties as the scrutiny committees are advisory only.

28 POST BALANCE SHEET EVENTS

Loan Finance
On 30 June 2016, the Association signed a £35 million, 10 year loan agreement with Northern Bank Limited t/a Danske Bank.

Care & Supported Housing Contracts
On 1 July 2016, the Association took over the delivery of contracts for support to 142 clients with learning disabilities from Radian Support Ltd. In total 237 staff transferred under TUPE arrangements. The annualised contract value of these services is c.£7 million.

29 ADOPTION OF FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) for the year ended 31 March 2016 and has restated the comparative prior year amounts. The changes are:

SHPS Pension
The Association is now required to recognise the net present value of any contractual agreements to make payments for a past deficit using an appropriate discount factor at March 2014 of 3.02%. As a result a liability of £3.641 million has been recognised as a provision in the opening reserves.

Holiday Pay Provision
A provision is now made for entitlement to holiday pay at the year end which has not been taken by employees. This has been calculated as £76,000 and is shown as a liability in opening reserves.

Grant Accounting
Social Housing Grant can no longer be offset against housing property within fixed assets. Government grants must be accounted for using the accrual model or the performance model. As the Association accounts for properties at cost, it has adopted the accrual model as required under SORP 2014. Non-government grants are accounted for under the performance model.

Under the accruals method, government grants have been allocated to the related asset and amortised over the useful economic life of the asset. The unamortised amount is held within deferred income, split between less than 1 year and greater than 1 year. The amount of amortised grant that has been recognised in opening reserves is £13.249 million.

Change in Accounting Policy

As stated in Accounting Policies, the Association has changed it's past policy of depreciating shared ownership units. Property sold under shared ownership leases are no longer depreciated as the responsibility for repair and maintenance are held by the shared owner and the market value of Hightown's retained equity exceeds the book cost. This is a non FRS102 change in policy.

Transition to FRS 102

Restated consolidated statement of financial position	31 March 2015 £'000	1 April 2014 £'000
Original reserves	64,824	52,953
Amortisation of government grants	14,855	13,249
Holiday pay accrual	(82)	(76)
SHPS Pension	(3,532)	(3,641)
Additional Depreciation to structure	(9,332)	(8,374)
Non FRS102 change in accounting policy	1,859	1,427
Other immaterial FRS 102 adjustments	-	53
Restated Reserves	68,592	55,591

Restated surplus or deficit for the year ended 31 March 2015	£'000
Original surplus on ordinary activities before tax	11,817
Holiday Pay Accrual	(5)
SHPS Pension	109
Amortisation of government grants	1,606
Additional depreciation to structure	(958)
Non FRS 102 change	432
Restated surplus for the financial year	13,001

30 PENSIONS

Hightown Housing Association Limited (Hightown) participates in four multi-employer Defined Benefit schemes: the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to the association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Hightown participates in the Social Housing Pension Scheme Defined Contribution as its auto-enrolment scheme.

Hightown operates a Defined Contribution (DC) section within SHPS for all new staff from 1 November 2013.

Prior to this date, Hightown operated Defined Benefits structures within SHPS - a Career Average Revalued Earnings (CARE) with 1/80th accrual; a Career Average Revalued Earnings section with 1/60th accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme section1/60th accrual for staff employed prior to 1 April 2007. These defined benefit sections are closed to new entrants but there remain active employees who continue to accrue future benefits. The discounted agreed future contributions towards the past service deficit under the Final Salary and CARE sections is shown in Provisions note 22.

An analysis of the SHPS membership is as follows:

31 March 2016	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	439	24	27	20	510
Deferred	11	102	29	22	164
Pensioner	0	91	12	0	103
Total	450	217	68	42	777

31 March *2015*	SHPS *DC*	Final *Salary*	CARE *1/60ths*	CARE *1/80ths*	Total
Active	359	28	32	24	443
Deferred	1	105	27	19	152
Pensioner	0	87	10	0	97
Total	360	220	69	43	692

A. SOCIAL HOUSING PENSION SCHEME – The Pensions Trust

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore Hightown is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where Hightown has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 2.06% (2015: 1.92%). The unwinding of the discount rate is recognised as a finance cost.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2015. At this date the estimated employer debt for Hightown was £25,952,397 (30 September 2014: £23,031,324).

B. THE PENSIONS TRUST - GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where Hightown has agreed to a deficit funding arrangement Hightown recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2015. As of this date the estimated employer debt for Hightown was £64,451.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,512 per annum rising by 3% per annum compound for a further 12 years from 1 April 2016.

C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Plan Characteristics And Associated Risks

The LGPS is a defined benefit statutory Fund administered in accordance with the Local Government Pension Scheme Regulations 2013, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

The Administering Authority for the Fund is Buckinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the Administering Authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As Administering Authority to the Fund, Buckinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by Hightown, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that Employers are exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long -term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit Employers e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Hightown paid employer's contribution to the BCCPF during the year ended 31 March 2016 amounting to £5,748 (2015: £5,291) at a contribution rate of 20.1% (2015: 20.1%) of pensionable salaries.

Valuation Data

Data Sources
In completing calculations for pension accounting purposes the following items of data from Buckinghamshire County Council have been used:

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2015 and 31 December 2015, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2016;
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2016; and
- Details of any new early retirements for the period to 31 March 2016 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service costs.

Although some of these data items have been estimated, they are not likely to have a material effect on the results of this report.

Employer Membership Statistics
The membership data as at 31 March 2013 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	2	43	59
Deferred Pensioners	2	15	49
Pensioners	4	15	62

The service cost for the year ending 31 March 2016 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £30,000. The projected service cost for the year ending 31 March 2017 has been calculated assuming payroll remains at this level over the year.

Scheduled Contributions

Minimum employer contributions due for the period beginning	1 April 2014	1 April 2015	1 April 2016
Percent of payroll	20.1%	20.1%	20.1%
Plus monetary amount	-	-	-

Early Retirements
There were no early retirements for the year ending 31 March 2016.

Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be 2%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2016 is as follows:

Asset Share – bid value	31 March 2016		31 March 2015	
	£'000	%	£'000	%
Gilts	70	12%	72	12%
UK Equities	307	54%	316	55%
Other bonds	70	12%	75	13%
Property	54	9%	50	9%
Cash	15	3%	11	2%
Alternative assets	8	1%	9	1%
Hedge Funds	24	4%	22	4%
Absolute return portfolio	26	4%	24	4%
Total	574	100%	579	100%

Bid values have been estimated where necessary. The final asset allocation of the Fund assets as at 31 March 2016 is likely to be different from that shown due to estimation techniques. Based on the above, Hightown's share of the assets of the Fund is less than 1%.

Actuarial Methods And Assumptions

Valuation Approach
To assess the value of Hightown's liabilities at 31 March 2016, the value of Hightown's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. However, the reporting actuary Barnett Waddingham LLP is satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 should not introduce any material distortions in the results provided that the actual experience of Hightown and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share, assets allocated to Hightown have been rolled forward at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of Hightown and its employees.

Demographic/Statistical Assumptions

The demographic assumptions are consistent with those used for the most recent funding valuation carried out as at 31 March 2013. The post retirement mortality tables adopted were the S1PA tables with a 90% multiplier. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2016	31 March 2015
Retiring today			
	Males	23.8	23.7
	Females	26.2	26.1
Retiring in 20 years			
	Males	26.1	26.0
	Females	28.5	28.4

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- 10% of active members will take up the option under the new LGPS top pay 50% of contributions for 50% of benefits.

Financial Assumptions

Assumptions as at:	31 March 2016		31 March 2015		31 March 2014	
	%pa	Real	%pa	Real	%pa	Real
RPI increases	3.3%	-	3.2%	-	3.6%	-
CPI increases	2.4%	(0.9%)	2.4%	(0.8%)	2.8%	(0.8%)
Salary increases	4.2%	0.9%	4.2%	1.0%	4.6%	1.0%
Pension increases	2.4%	(0.9%)	2.4%	(0.8%)	2.8%	(0.8%)
Discount rate	3.7%	0.4%	3.3%	0.1%	4.5%	0.9%

These assumptions are set with reference to market conditions at 31 March 2016. The estimated duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. This approach is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, (BoE) specifically the 19 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.3%pa. This approach is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, it is assumed that CPI will be 0.9% below RPI i.e. 2.4%. This is a slightly higher differential than last year. It is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salary are assumed to increase at 1.8% p.a . above CPI in addition to a promotional scale.

Expected Return On Assets

For accounting years beginning on or after 1 January 2015, the expected return and the interest cost has been replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Past Service Costs/Gains, Curtailments and Settlements.
Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. There have been no additional benefits granted over the year ending 31 March 2016.

No employees were permitted to take unreduced early retirement.

There were no liabilities settled at a cost materially different to the accounting reserve during the year.

Statement Of Financial Position

Net pension deficit as at	31 March 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of the defined benefit obligation	864	907	769
Fair value of Fund assets (bid value)	574	579	529
Deficit	290	328	240

Statement Of Profit or Loss For The Year

The UK's Financial Reporting Council have published FRS102, which applies for company accounting periods beginning on or after 1 January 2015 and replaces the reporting standard FRS17. In summary the main changes that affect the statement of profit or loss are :

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expenses on the defined benefit obligation, which are both calculated with reference to the discount rate; and
- Minor labelling changes to the statement of profit and loss.

FRS102 does not give a firm steer on how to account for administration expenses but these have been accounted for within the statement of profit or loss in line with IFRS requirements; previously these were shown as a deduction to the actual and excepted return on assets.

The figures below show the application under the new standard for the year to 31 March 2016, the figures as they would have been under the new standard for the year to 31 March 2015 and the disclosed figures for the year to 31 March 2015.

The amounts recognised in the income and expenditure statement	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Service Cost	10	9	Separated below
Current service cost	Included above	Included above	9
Net interest on the defined liability (asset)	11	11	n/a
Interest on obligation	n/a	n/a	34
Expected return on Fund assets	n/a	n/a	(33)
Past service costs	Included above	Included above	-
Losses(gains) on settlements/curtailments	Included above	Included above	-
Administration expenses	-	-	n/a
Total loss	21	20	10

Asset and benefit obligation reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Opening defined benefit obligation	907	769	769
Current Service cost	10	9	9
Interest cost	30	34	34
Change in financial assumptions	(61)	114	Combined below
Change on demographic assumptions	-	-	Combined below
Experience loss(gain) on DB obligation	-	-	Combined below
Total actuarial losses (gains)	Separated above	Separated above	114
Losses (gains) on curtailments	Combined below	Combined below	-
Liabilities assumed / (extinguished) on settlements	-	-	-
Estimated benefits paid net of transfers in	(24)	(21)	(21)
Past service cost	Combined below	Combined below	-
Past service costs, including curtailments	-	-	Separated above
Contributions by Fund participants	2	2	2
Unfunded pension payments	-	-	-
Closing Defined Benefit obligation	864	907	907

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied	Year to 31 March 2015 £'000 Disclosed
Opening fair value of Fund assets	579	529	529
Expected return on Fund assets	n/a	n/a	33
Interest on assets	19	23	n/a
Return on assets less interest	(8)	41	n/a
Other actuarial gains/(losses)	-	-	n/a
Total actuarial gains/(losses)	n/a	n/a	31
Administration expenses	-	-	n/a
Contributions paid by employer included unfunded	6	5	5
Contributions by Fund participants	2	2	2
Estimated benefits paid net of transfers in	(24)	(21)	(21)
Settlement prices received/(paid)	-	-	-
Closing fair value of Fund assets	574	579	579

The total return on the fund assets for the year to 31 March 2016 is £11,000.

Sensitivity Analysis

This table sets out the impact of a small change in the assumptions:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	848	864	880
Projected service cost	10	10	10
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	864	864	864
Projected service cost	10	10	10
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	880	864	848
Projected service cost	10	10	10
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	893	864	836
Projected service cost	10	10	10

For the life expectancy assumption, it is assumed that members will live a year longer or a year less.

Re-measurements in other comprehensive income

Remeasurement of the net assets / (defined liability)	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000 Had FRS102 applied
Return on Fund assets in excess on interest	(8)	41
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	61	(114)
Change in demographic assumptions	-	-
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	53	(73)

Projected Pension Expense For The Year To 31 March 2017

Projections for the year to 31 March 2017	Year to 31 March 2017 £'000
Service cost	10
Net interest on the defined liability	11
Administration expenses	-
Total loss	21
Employer contributions	6

D. NHS PENSION SCHEME

At the 31 March 2016, there was one active member in the NHS scheme who transferred to Hightown under TUPE arrangements when services were transferred to Hightown. The NHS scheme is an unfunded Government scheme and no pension fund deficit liability arises to Hightown.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGHTOWN HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2017

We have audited the financial statements of Hightown Housing Association Limited for the year ended 31 March 2016 which comprise the association statement of comprehensive income, the association statement of financial position, the association statement of changes in equity, the 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members 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 Financial Reporting Council's (FRC'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 FRC's website at 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 association's affairs as at 31 March 2017 and of the association's surplus 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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the association; or
- a satisfactory system of control has not been maintained over transactions; or
- the association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex, United Kingdom
Date: 12 July 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hightown Housing Association Limited

STATEMENT OF COMPREHENSIVE INCOME

As at 31 March 2017

	Note	2017 £'000	2016 £'000
TURNOVER	*3*	**62,785**	**50,687**
Operating costs	*3*	(43,294)	(34,033)
Surplus on sale of properties & other fixed assets		2,975	3,190
OPERATING SURPLUS	*3,6*	**22,466**	**19,844**
Interest receivable and similar income		138	1,522
Interest and financing costs	*7*	(6,530)	(7,100)
SURPLUS FOR THE YEAR		**16,074**	**14,266**
Actuarial (loss)/gain on defined benefit pension scheme		(127)	38
Unrealised gain/(loss) on revaluation of investments	*12*	-	(19)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15,947**	**14,285**

All activities are continuing.

The notes on pages 42 to 69 form part of these financial statements.

The financial statements were approved by the Board on 6 July 2017.

Tony Keen

Tony Keen - Chair *James Steel - Board Member* *David Skinner - Secretary*

Hightown Housing Association Limited
STATEMENT OF CHANGES IN RESERVES
As at 31 March 2017

	Income and Expenditure Reserve £'000	Restricted Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance as at 1 April 2015	**67,686**	**163**	**743**	**68,592**
Surplus for the year 2015/16	**14,266**	**-**	**-**	**14,266**
	81,952	**163**	**743**	**82,858**
Actuarial gains/(losses) relating to defined benefit pension scheme	38	-	-	38
Surplus on revaluation of investment	-	-	(19)	(19)
Other comprehensive income for the year	**38**	**-**	**(19)**	**19**
Transfer of restricted expenditure from unrestricted reserve	**(4)**	**4**	**-**	**-**
Balance at 31 March 2016	**81,986**	**167**	**724**	**82,877**
Balance as at 1 April 2016	**81,986**	**167**	**724**	**82,877**
Surplus for the year 2016/17	**16,074**	**-**	**-**	**16,074**
	98,060	**167**	**724**	**98,951**
Actuarial gains/(losses) relating to defined benefit pension scheme	(127)	-	-	(127)
Other comprehensive income for the year	**(127)**	**-**	**-**	**(127)**
Transfer of unrealised profit, realised on disposal of investment	**724**	**-**	**(724)**	**-**
Balance at 31 March 2017	**98,657**	**167**	**-**	**98,824**

The notes on pages 42 to 69 form part of these financial statements.

Hightown Housing Association Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Note	2017 £'000	Restated 2016 £'000
TANGIBLE FIXED ASSETS			
Housing properties	10	523,033	456,851
Other fixed assets	11	5,740	5,680
Investments - other	12	1,905	2,630
TOTAL FIXED ASSETS		**530,678**	**465,161**
CURRENT ASSETS			
Properties for sale	13	7,765	11,290
Trade and other debtors	14	5,568	2,942
Cash and cash equivalents	15	14,484	16,536
		27,817	**30,768**
CREDITORS: Amounts falling due within one year	16	**(21,783)**	**(16,192)**
NET CURRENT ASSETS		**6,034**	**14,576**
TOTAL ASSETS LESS CURRENT LIABILITIES		**536,712**	**479,737**
CREDITORS: Amounts falling due after more than one year	17	**(437,471)**	**(396,570)**
PROVISION FOR LIABLITIES			
Pension Liability	27	**(417)**	**(290)**
TOTAL NET ASSETS		**98,824**	**82,877**
CAPITAL AND RESERVES			
Share capital	22	-	-
Income and Expenditure Reserve		98,657	81,986
Restricted reserve		167	167
Revaluation reserve		-	724
TOTAL RESERVES		**98,824**	**82,877**

The notes on pages 42 to 69 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 6 July 2017.

Tony Keen

Tony Keen - Chair | *James Steel - Board Member* | *David Skinner - Secretary*

Hightown Housing Association Limited

STATEMENT OF CASH FLOW

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
SURPLUS FOR THE FINANCIAL YEAR		15,947	14,285
Adjustments for:			
Depreciation of fixed assets – housing properties	*10*	4,768	4,239
Depreciation of fixed assets – housing component write off		85	183
Depreciation of fixed assets – other	*11*	311	255
Amortised grant	*3/10/18*	(1,659)	(1,635)
Net fair value losses recognised in profit or loss		-	19
Interest payable and finance costs	*7*	6,530	7,100
Interest received and income from investments		(138)	(1,522)
Actuarial loss/(gain) on defined benefit scheme	*27*	127	(38)
Surplus on sale of fixed assets – housing properties		(2,632)	(3,187)
Surplus/(deficit) on sale of fixed assets - other		3	(3)
Proceeds from sale of fixed assets – housing properties		7,578	8,632
Transaction costs for sale of housing properties		(208)	(207)
Proceeds from sale of fixed assets – other	*11*	-	13
Surplus on disposal of Fixed Asset Investment		(347)	-
Decrease/(increase) in stocks	*13*	3,525	(8,178)
Increase in trade and other debtors	*14*	(2,625)	(183)
Increase in trade and other creditors	*16/17*	887	1,272
Net cash from operations		**32,152**	**21,045**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets – housing properties		(69,564)	(39,293)
Purchase of fixed assets – other	*11*	(374)	(255)
Receipt of grant		4,746	4,564
Interest received and income from investments		138	1,522
Proceeds from Disposal of Investments		2,976	-
Transfer of funds to Investments	*12*	(1,905)	-
Net cash from investing activities		**(63,983)**	**(33,462)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(8,380)	(7,915)
New loans	*21*	42,500	49,500
Debt issue costs incurred	*21*	(1,276)	(725)
Repayment of loans	*21*	(3,065)	(21,257)
Net cash used in financing activities		**29,779**	**19,603**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,052)**	**7,186**
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**16,536**	**9,350**
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		14,484	**16,536**

The notes on pages 42 to 69 form part of these financial statements.

1 LEGAL STATUS

Hightown Housing Association Limited (the Association) is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 with registration 18077R and registered with the Homes and Communities Agency as a registered housing provider with registration L2179. It is an exempt charity.

2 ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board is satisfied that the current accounting policies are the most appropriate for the Association.

Significant Judgements and Estimates

Preparation of the financial statements require management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- Capitalisation of property development costs
  Judgement is required to identify the point in a development scheme project where the scheme is more likely to go ahead than not to continue, thus allowing capitalisation of the associated development costs. After capitalisation, management monitor the asset and consider whether any changes indicate that any impairment has arisen.

- Allocation of costs for mixed tenure developments
  On a scheme with a mixed tenure development (ie it includes both Affordable rented properties and Shared Ownership properties) an allocation of the land cost, property build costs, professional fees and other costs is made between the relevant units.

- Allocation of costs for shared ownership properties
  Where costs are not separately invoiced, costs are allocated to shared ownership properties on the basis of the split of the scheme units.

- Recoverability of the cost of properties developed for shared ownership sale
  Management review the housing market regularly and ensure that properties remain in demand.

- Useful lives of depreciable assets
  Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to the potential technological obsolescence that may change the utility of IT equipment and software, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property may reduce the economic life of the property. The total of accumulated depreciation appears in Note 10.

Turnover

Turnover comprises rental income receivable in the year, income from property sales, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants. Turnover is recognised on the following basis:

- Rental income is recognised on a time apportioned basis and is stated net of losses from void properties;
- Fees and income from the provision of Residential Care, Supporting People and Management Services are recognised as the services are provided;
- Income paid in respect of cyclical and major repairs is deferred until such time as the related expenditure is incurred;
- Income from the sale of 1st Tranche Shared Ownership properties is recognised as properties are sold.

Value Added Tax
The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.
Irrecoverable VAT is charged to the income and expenditure account and is allocated to the different activities on the same basis as the corresponding costs are allocated.

Holiday Pay Accrual
A liability has been recognised to record any unused holiday pay entitlement accrued at the balance sheet date and accrued to future periods.

Interest Payable
Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) Interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) Interest on borrowings of the Association as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Interest is capitalised from the date of the site acquisition to the date of practical completion. Other interest payable is charged to the income and expenditure account in the year.

Pensions
The Association participates in four multi-employer defined benefit schemes; the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pension Scheme. The latter two schemes relate to employees who transferred to the Association under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

For the SHPS, Growth Plan scheme and NHS scheme, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to each scheme for the accounting period.

The Buckinghamshire County Council Pension Fund is accounted for under FRS102. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets, and any change in fair value of the assets and liabilities are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Association also participates in a Defined Contribution Scheme with the Social Housing Pension Scheme. This is the main pension fund and auto-enrolment vehicle for the Association.

Supported Housing
The treatment of income and expenditure in respect of supported housing projects depends on whether the Association carries the financial risk or not.

Where the Association holds the support contract with the relevant commissioning authority and carries the financial risk, all the project's income and expenditure is included in the Association's income and expenditure account (see note 3).

Where the Association has appointed an agent to provide support to the service users and the agent holds the support contract with the commissioning authority (and carries the financial risk), the income and expenditure account includes only that income and expenditure which relates solely to the Association.

Interest Rate Fixings
The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. Payments made under such fixes are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

Housing Properties
Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works to existing properties, and component replacements which have been treated separately for depreciation purposes, which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Direct overhead costs comprise the costs of staff time, including salary costs and other apportioned direct costs, incurred on the developments from the date from which it is reasonably likely that the development will go ahead, to the date of practical completion.

Shared Ownership properties are split proportionately between current and fixed assets based on the first tranche proportion. The first tranche proportion is accounted for as a current asset and the related sales proceeds shown in turnover. The remaining element of the Shared Ownership property is accounted for as a fixed asset and any subsequent staircasing is treated as a part disposal of a fixed asset. Shared Ownership properties are included in housing properties at cost less any provisions needed for impairment.

The net surplus on the sale of housing properties (including Shared Ownership property staircasing) represents proceeds less applicable cost and expenses. Any applicable social housing grant is transferred to the Recycled Capital Grant Fund held in long term creditors. Right to Acquire and Right to Buy sales are accounted for by transfer of the net surplus and the associated grant to the Disposal Proceeds Fund also held in long term creditors.

Depreciation of Housing Properties
Housing properties under construction are stated at cost and are not depreciated. Freehold land is not depreciated.

The Association depreciates freehold housing properties by component so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost less residual value.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate if shorter, at the following annual rates:

Asset Component	Useful lives	Rate
Building Structure		
- houses	100 years	1.00%
- flats	80 years	1.25%
Roof	80 years	1.25%
Windows and external doors	30 years	3.33%
Bathrooms	30 years	3.33%
Electrical systems	30 years	3.33%
Lifts	30 years	3.33%
Kitchens	20 years	5.00%
Heating systems	15 years	6.66%

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Property partially sold under shared ownership leases are no longer depreciated as the responsibility for repair and maintenance are held by the shared owner and the market value of Hightown's retained equity exceeds the book cost.

Land Received At Less Than Market Value
Where land is transferred by local authorities and other public bodies for consideration below market-value, the difference between the market value and the consideration given is added to cost at the time of the donation and credited to other capital grants.

Social Housing Grant
Social Housing Grant (SHG) is receivable from the Homes and Communities Agency and local authorities. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property. SHG due or received in advance is included as an asset or liability as appropriate. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates using the accrual model set out in FRS102 and the Housing SORP 2014 for government grants.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors. Although SHG is treated as grant for accounting purposes, it may nevertheless become repayable if the conditions under which the grant was made are not complied with, for example if the properties to which grant was designated cease to be used for the provision of affordable rental accommodation.

Other Grant
These include grants from local authorities and other organisations. Government Grants are dealt with under the accrual model within FRS102 and are credited to the income and expenditure account in the same period as the expenditure to which they relate. Other grants are dealt with under the performance method and recognised to income and expenditure once the conditions for the grant are complete.

Impairment
Properties depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 102 and the SORP 2014, subject to impairment reviews annually.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down is charged to operating surplus.

Investments
Investments are held at market value. Any movement in the value of investments is recorded in the Revaluation Reserve and the Statement of Comprehensive Income.

Other Tangible Fixed Assets
Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building	2%
Furniture, fixtures and fittings	2½% to 10%
Computers / office equipment	33% / 20%
Motor vehicles	25%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, these components are depreciated over the lives of those components.

Reserves
Any unexpended income which is restricted as to its use, is treated as a restricted reserve. Transfers are made between the revenue reserve and the restricted funds to represent the receipt of restricted income and the subsequent expenditure of such income.

Trust Funds
Funds held by the Association on trust for leaseholders are recognised as an asset of the Association where the Association has control of the funds. A corresponding creditor is also recognised. Leaseholders' funds held for major repairs are maintained in separate interest bearing accounts for this purpose and fall under a deed of trust dated 23rd June 1993. Any income received on the funds so held is credited to leaseholders.

Loan Issue Costs and Premium
In accordance with SORP 2014 the issue costs of loans have been deducted from the gross loan values. Issue costs are amortised over the period of the loan to which they relate. Similarly the premium received on the loan proceeds from The Housing Finance Corporation (THFC) bond issue is amortised into the Statement of Comprehensive Income to offset interest paid over the life of the loan.

Allocation Of Costs
Costs are allocated to the different categories of social housing activities on the following basis:

- Direct costs are allocated to the relevant activity.
- Where direct costs relate to a number of different activities they are apportioned to those different activities on a fair basis.
- Overhead costs are allocated to different activities, primarily based on the estimated time spent by the Association's staff in managing the different activities.

Recycled Capital Grant Fund
The Recycled Capital Grant Fund (RCGF) contains social housing grant released by property sales (other than Right to Acquire or Right to Buy) for re-use on funding new developments. If unused within a three year period from the start of the following financial year, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

Disposal Proceeds Fund
The Disposal Proceeds Fund (DPF) contains social housing grant released by property sales under Right to Acquire or Right to Buy for re-use on funding new developments. If unused within a three year period, it will be repayable to the Homes and Communities Agency with interest. Any unused capital grant held which it is anticipated will be either repaid or used within one year is disclosed in the balance sheet under "creditors: amounts falling due within one year". The remainder is disclosed under "creditors: amounts falling due after one year".

Mixed Tenure Schemes
The surplus on sales of properties on mixed tenure development schemes is reduced in accordance with SORP 2014. Where a development is evaluated as a single scheme with more than one element and where one or more of those elements are expected to generate a surplus and one or more of the other elements has an EUV-SH value that is below cost less attributable grant (a shortfall), then it is not appropriate to recognise all of the surplus on sale from that scheme. The sales surplus is reduced by the shortfall through the apportionment of costs to each element of the scheme.

Service Charges
All service charges are variable service charges. Where there is any difference between the estimated cost recovered from tenants and leaseholders and the actual cost incurred, any such shortfall or surplus arising is carried forward and either collected or refunded against the future years charge. Any shortfall or surplus arising is shown in the Statement of Financial Position within debtors or creditors as appropriate.

3 NOTE A – PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

Continuing activities	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000
SOCIAL HOUSING LETTINGS (See Note 3 B)	**50,134**	**(33,045)**	**17,089**	**40,159**	**(24,193)**	**15,966**
OTHER SOCIAL HOUSING ACTIVITIES						
Current asset property sales	9,412	(7,319)	2,093	7,699	(6,526)	1,173
Supporting People contract income	1,305	(1,305)	-	1,402	(1,402)	-
Management services	756	(665)	91	487	(998)	(511)
Aborted development costs	-	(109)	(109)	-	(85)	(85)
Other	588	(119)	469	269	(86)	183
	12,061	**(9,517)**	**2,544**	**9,857**	**(9,097)**	**760**
ACTIVITIES OTHER THAN SOCIAL HOUSING						
Registered nursing home	490	(604)	(114)	547	(603)	(56)
Other - Charity Shop	100	(128)	(28)	124	(140)	(16)
	590	**(732)**	**(142)**	**671**	**(743)**	**(72)**
	62,785	**(43,294)**	**19,491**	**50,687**	**(34,033)**	**16,654**
SURPLUS ON SALE OF PROPERTIES & OTHER FIXED ASSETS			**2,975**			**3,190**
TOTAL			**22,466**			**19,877**

3 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS (continued)

NOTE B - INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

INCOME	General Needs Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Residential Care Homes £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of identifiable service charges	21,874	3,382	2,370	210	27,836	25,596
Service charge income	1,196	1,383	670	-	3,249	3,160
Charges for support services	-	75	-	-	75	84
Amortised Government Grants	1,274	248	137	-	1,659	1,635
Other revenue grants	1	13,131	3	4,180	17,315	9,684
TURNOVER FROM SOCIAL HOUSING LETTINGS	**24,345**	**18,219**	**3,180**	**4,390**	**50,134**	**40,159**
EXPENDITURE						
Management	(2,078)	(1,304)	(228)	(589)	(4,199)	(3,507)
Support Service costs	(250)	(12,906)	(2)	(3,174)	(16,332)	(10,022)
Service charge costs	(1,259)	(1,440)	(530)	(337)	(3,566)	(2,663)
Routine maintenance	(2,107)	(431)	(7)	(94)	(2,639)	(2,348)
Planned maintenance	(339)	(57)	-	(5)	(401)	(344)
Major repairs expenditure	(575)	(203)	-	(35)	(813)	(761)
Bad debts	(197)	(41)	(2)	(3)	(243)	(125)
Depreciation of housing properties	(4,299)	(530)	(1)	(22)	(4,852)	(4,423)
OPERATING EXPENDITURE ON SOCIAL HOUSING LETTINGS	**(11,104)**	**(16,912)**	**(770)**	**(4,259)**	**(33,045)**	**(24,193)**
OPERATING SURPLUS / (DEFICIT) ON SOCIAL HOUSING LETTINGS	**13,241**	**1,307**	**2,410**	**131**	**17,089**	**15,966**
Void losses	(164)	(185)	(83)	(3)	(435)	(442)

4 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 105 supported housing tenancies (2016:114) that are managed on its behalf under management agreements by other bodies that carry the financial risk. The Association's income and expenditure account includes only the income and expenditure for which it retains responsibility.

5 ACCOMMODATION IN MANAGEMENT

	2017 No.	2016 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
Social housing		
General needs housing		
- Social rent	2,333	2,301
- Affordable rent	670	463
	3,003	**2,764**
Intermediate rent	251	240
Supported housing	460	551
Housing for older people	81	81
Low Cost Home Ownership (Shared Ownership)	659	659
Leasehold properties	717	652
Held for development	12	13
Total Owned	**5,183**	**4,960**
Accommodation managed for others	195	108
Total Managed	**5,378**	**5,068**
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	**5,386**	**5,076**
Units in development at the year end	**906**	**734**

6 OPERATING SURPLUS

	2017 £'000	2016 £'000
This is arrived at after charging / (crediting):		
Depreciation of housing properties	4,768	4,239
Accelerated depreciation on replaced components	85	183
Depreciation of other tangible fixed assets	311	255
Operating lease rentals	210	103
Auditors' remuneration (excluding VAT)		
- fees payable to the Association's auditor for the audit of the financial statements	27	32
- for non-audit services	10	10

7 INTEREST PAYABLE AND SIMILAR CHARGES

	Note	2017 £'000	2016 £'000
Loans and bank overdrafts		8,404	8,308
Recycled Capital Grant Fund	*19*	14	9
Net interest on net defined benefit pension liability		90	64
		8,508	8,381
Interest capitalised on construction of housing properties	*10*	(1,978)	(1,281)
		6,530	7,100
Capitalisation rate used to determine the amount of finance costs capitalised during the period		3.24%	3.34%

8 EMPLOYEES

Employee costs:	2017 £'000	2016 £'000
Wages and salaries	18,099	12,566
Social security costs	1,457	972
Other pension costs	627	1,787
	20,183	15,325

During the year the Association paid £17,034 (2016: £118,798) in respect of redundancy and severance payments. These values are included within the analysis above.

In July 2016 the Association took over a number of care and supported housing contracts from another housing association. As a result 237 employees transferred to the association.

The 2015/16 pension costs reflected the recognition of new deficit reduction payments to The Social Housing Pension Fund following the September 2014 valuation.

Average monthly number of employees (full time equivalents):	2017 No.	2016 No.
Administration	71	63
Development	11	12
Housing, support and care	592	413
	674	488

Staff numbers in Care & Supported Housing schemes are expressed against their standard 37.5 hour per week. Other staff numbers are expressed against their standard 35 hour week.

9 BOARD MEMBERS AND EXECUTIVE DIRECTORS

Board members

None of the Board members received emoluments. Total expenses reimbursed during the year to Board members were £2,583 (2016: £3,836).

Executive Directors

The aggregate emoluments of the executive directors including pension contributions amounted to £703,327 (2016: £797,308).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £152,355 (2016: £147,814). Pension contributions in the year were £9,960 (2016: £11,188).

From April 2016 The Social Housing Pension Trust reduced the employer pension contribution rate to reflect the introduction of an annual expense charge.

The aggregate amount of compensation payable to directors for loss of office during the year was £ Nil (2016: £60,000).

Employees

The full time equivalent number of staff whose remuneration payable in respect of the year excluding pension contributions was more than £60,000, by salary band was as follows:

Salary band	2017 No.	2016 No.
£ 60,000 - £ 69,999	5	4
£ 80,000 - £ 89,999	-	1
£ 90,000 - £ 99,999	1	1
£100,000 - £109,999	3	2
£110,000 - £119,999	1	-
£120,000 - £129,999	-	1
£140,000 - £149,999	-	1
£150,000 - £159,999	1	-

The executive directors are members of the Social Housing Pension Scheme as ordinary members of the pension scheme and no enhanced or special terms apply.

The key management personnel of the Association are defined as the members of the Board of Management, the Chief Executive and the executive management team as disclosed on page 2.

10 FIXED ASSETS – HOUSING PROPERTIES

	Housing Properties held for lettings	Properties in the course of completion Rental Units	Properties in the course of completion Shared Ownership	Shared Ownership properties	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 April 2016	386,921	39,426	8,238	55,002	489,587
Additions	-	68,929	4,216	-	73,145
Capitalised Interest	-	1,694	284	-	1,978
Components Capitalised	1,065	-	-	-	1,065
Properties Completed	33,344	(33,344)	(6,315)	6,315	-
Transfer to properties held for sale	(413)	-	-	-	(413)
Disposals	(807)	-	-	(4,275)	(5,082)
As at 31 March 2017	420,110	76,705	6,423	57,042	560,280
DEPRECIATION					
As at 1 April 2016	32,736	-	-	-	32,736
Charge for the year	4,768	-	-	-	4,768
Eliminated on Disposals	(257)	-	-	-	(257)
As at 31 March 2017	37,247	-	-	-	37,247
NET BOOK VALUE					
As at 31 March 2017	382,863	76,705	6,423	57,042	523,033
As at 31 March 2016	354,185	39,426	8,238	55,002	456,851

Expenditure on works to existing properties:

	2017	2016
	£'000	£'000
Components capitalised	1,065	1,261
Amounts charged to income and expenditure account	736	706
	1,801	1,967

Social Housing Grant	2017 £'000	2016 £'000
Deferred Capital Grant	133,324	130,938
Recycled Capital Grant Fund	3,225	2,516
Disposal Proceeds Fund	124	124
Revenue Grant – I&E	1,659	1,635
Revenue Grant - Reserves	16,315	14,855
	154,647	150,068

Housing properties book value, net of depreciation, comprises:	2017 £'000	2016 £'000
Freehold land and buildings	469,086	403,976
Long leasehold land and buildings	53,947	52,875
	523,033	456,851

Additions to properties include:	2017 £'000	2016 £'000
Development overheads capitalised	1,524	1,443
Capitalised interest	1,978	1,284

11 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings £'000	Fixtures and fittings £'000	Furniture and equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost						
As at 1 April 2016	6,045	272	256	772	40	7,385
Additions	25	61	27	261	-	374
Disposals	-	(10)	-	-	-	(10)
As at 31 March 2017	6,070	323	283	1,033	40	7,749
Less: Depreciation						
As at 1 April 2016	798	91	213	603	-	1,705
Charged in year	115	27	12	150	7	311
Released on disposal	-	(7)	-	-	-	(7)
As at 31 March 2017	913	111	225	753	7	2,009
Net book value						
As at 31 March 2017	5,157	212	58	280	33	5,740
As at 31 March 2016	5,247	181	43	169	40	5,680

12 INVESTMENTS

UK Government Gilt

Under the loan agreement with The Housing Finance Corporation (THFC), the Association is required to maintain an Interest Service Reserve Fund (ISRF) of £1.9m. This had been invested in the 4.75% UK Treasury due 2038 Gilt. During 2016/17 the Association sold the Gilt holding and realised the surplus. At 31 March the ISRF was held in an interest bearing account with a UK clearing bank.

Movement in investment:	2017 £'000
Value 1 April 2016	2,630
Movement in value 2016/17	374
Gilt disposal proceeds	(3,004)
	-
Addition to UK clearing bank account	1,905
Investment at 31 March 2017	1,905

13 PROPERTIES FOR SALE

	2017 £'000	2016 £'000
Shared Ownership properties under construction	6,423	8,237
Shared Ownership properties awaiting sale	929	2,423
Vacant properties awaiting sale	413	630
	7,765	11,290

	No.	No.
Shared Ownership properties awaiting sale	9	24
Vacant properties awaiting sale	5	6
	14	30

The stock of Shared Ownership properties is the cost of the anticipated first tranche sale to shared owners.

14 DEBTORS

	2017 £'000	2016 £'000
Due within one year		
Rent and service charge arrears	1,275	1,141
Less: Provision for bad and doubtful debts	(918)	(817)
	357	324
Estate service charges recoverable	362	605
Trade debtors	2,154	389
Other debtors	356	198
Prepayments and accrued income	2,339	1,426
	5,568	2,942

15 BANK AND CASH

	Note	2017 £'000	2016 £'000
Bank accounts held on trust	2	1,471	1,261
Other bank accounts		13,013	15,274
Cash in hand		-	1
		14,484	16,536

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	2017 £'000	Restated 2016 £'000
Debt	*21*	3,663	2,879
Trade creditors		1,893	1,418
Rent and service charges received in advance		1,436	1,274
Revenue grants received in advance		69	77
Recycled Capital Grant Fund	*19*	682	384
Disposal Proceeds Fund	*20*	124	-
Other taxation and social security		452	290
Deferred Capital Grant	*18*	1,666	1,657
Other creditors		987	677
Pension deficit reduction payments		567	546
Development and works retentions		8,375	5,294
Accruals and deferred income		1,869	1,696
		21,783	16,192

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Note	2017 £'000	Restated 2016 £'000
Debt	*21*	293,436	256,061
Recycled Capital Grant Fund	*19*	2,543	2,132
Disposal Proceeds Fund	*20*	-	124
Premium on THFC Loan Issue *		3,217	3,362
Deferred Capital Grant	*18*	131,658	129,281
Leaseholder Sinking Funds		113	97
Leaseholder Trust Funds		1,295	1,102
Pension deficit reduction payments		3,727	4,080
Development and works retentions		1,482	331
		437,471	396,570

* In January 2011 the Association received the proceeds of a bond issued by The Housing Finance Corporation (THFC) at a premium to par. This premium will be amortised to the income and expenditure account over the remaining life of the loan (22 years) to offset interest paid.

18 DEFERRED CAPITAL GRANT

	Note	2017 £'000	2016 £'000
At 1 April		130,938	129,969
Grant received in year		4,565	3,699
Grant recycled from RCGF and DPF		452	125
Grant recycled to RCGF		(972)	(1,220)
Released to income in the year	*3*	(1,659)	(1,635)
At 31 March		133,324	130,938

	Note	2017 £'000	2016 £'000
Amounts to be released within one year	*16*	1,666	1,657
Amounts to be released in more than one year	*17*	131,658	129,281
		133,324	130,938

19 RECYCLED CAPITAL GRANT FUND

	2017 £'000	2016 £'000
Opening balance 1 April	2,516	1,260
Additions:		
Grant recycled from Deferred Capital Grant	972	1,220
Grant recycled from Statement of Comprehensive Income	175	152
Interest accrued	14	9
Drawdown:		
New build	(452)	(125)
Closing balance 31 March	3,225	2,516

20 DISPOSAL PROCEEDS FUND

	2017 £'000	2016 £'000
Opening balance 1 April	124	124
Additions:		
Grant recycled	-	-
Closing balance 31 March	124	124

21 DEBT ANALYSIS

	2017 £'000	2016 £'000
Loans		
Due within one year	3,977	3,368
Between one and two years	3,984	3,976
Between two and five years	67,691	42,207
After five years	224,783	211,743
Total after one year	296,458	257,926
Total loans	300,435	261,294
Unamortised loan costs		
Due within one year	(314)	(489)
Between one and two years	(314)	(465)
Between two and five years	(1,183)	(453)
After five years	(1,525)	(947)
Total after one year	(3,022)	(1,865)
Total unamortised loan costs	(3,336)	(2,354)
Total		
Due within one year	3,663	2,879
Between one and two years	3,670	3,511
Between two and five years	66,508	41,754
After five years	223,258	210,796
Total after one year	293,436	256,061
Total	297,099	258,940

Security
Loans are secured by fixed charges on individual housing properties and the central office building except for a £27 million loan from Retail Charity Bonds plc where unencumbered assets of £35 million are retained.

Terms of repayment and interest rates
The loans are repayable at intervals varying from half yearly to annually, and on maturity. Instalments of loans fall to be repaid in the period 2017 to 2039 (2016: 2016 to 2039).

Fixed interest rates payable at 31 March 2017 averaged 4.37% (2016: 5.30%) ranging from 0.96% to 10.50% (2016: 4.38% to 10.50%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2016/17 was 3.00% (2016: 3.37%).

At 31 March 2017 the Association had £112 million of undrawn loan facilities (2016: £42.5 million).

22 SHARE CAPITAL

Shares of £1 each, issued and fully paid	2017 No.	2016 No.
As at 1 April	29	27
Shares issued in the year	-	3
Shares surrendered during the year	(5)	(1)
As at 31 March	24	29

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions on a winding up. All Board members are shareholders.

23 FINANCIAL COMMITMENTS

Capital Expenditure	2017 £'000	2016 £'000
Expenditure contracted for but not provided in the accounts	74,913	105,219
Expenditure authorised by the Board but not contracted	87,419	43,367
	162,332	148,586

The Association is forecasting to spend £60.8 million of the contracted commitments in 2017/18. This will be financed by use of the undrawn committed loan facilities, first tranche shared ownership sales, social housing grant, site sub-sales, cash in hand, and surplus revenue cash generated in the year.

A further £13.2 million contracted commitment is forecast to be spent in 2018/19 with the remaining £0.9 million forecast to be spent over the 2 years thereafter. The Association's policy is to ensure that expenditure is only committed as funding resources are made available subject to complying with its policy on maintaining financial headroom.

24 LEASING COMMITMENTS

The payments which the Association is committed to make under operating leases are as follows:

	2017 £'000	2016 £'000
Office equipment and vehicles:		
- Within one year	34	42
- Between one and five years	13	26
- After five years	-	1
	47	69

25 FINANCIAL ASSETS AND LIABILITIES

The Association's financial liabilities are sterling denominated. After taking into account interest rate fixings, the interest rate profile of the Association's financial liabilities at 31 March is as below:

	Note	2017 £'000	2016 £'000
Floating rate		169,687	160,135
Fixed rate		130,748	101,159
		300,435	261,294
Loan costs		(3,336)	(2,354)
Total	*21*	297,099	258,940

The fixed rate financial liabilities have a weighted average interest rate of 4.37% (2016: 5.30%) and the weighted average period for which it is fixed is 14.6 years (2016: 16.8 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates linked to the London Interbank Offered Rate (LIBOR) plus agreed loan margin.

26 RELATED PARTIES

Board and Committee Members
One board member, Philip Day, was a tenant board member until 25 July 2016 and his tenancy was let on a standard Association tenancy agreement at normal commercial terms. The amount payable up to his resignation was £1,816 (2016: £5,540).

Brian Ellis, a St.Albans Disctrict Councillor was a co-opted Board Member until 29 September 2016.

The local authorities have nomination rights over tenancies for certain Association properties. All transactions with local authorities are made at arm's length on normal commercial terms.

No Board member is able to use his/her position on the Board to their advantage.

The Association does not consider its Resident Committee Members to be related parties.

There were no related parties at 31 March 2017.

27 PENSIONS

Hightown Housing Association Limited (Hightown) participates in four multi-employer Defined Benefit schemes: the Social Housing Pension Scheme (SHPS), the Pensions Trust Growth Plan, the Buckinghamshire County Council Pension Fund and the NHS Pensions Scheme. The latter two schemes relate to employees who transferred to Hightown under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).

Hightown participates in the Social Housing Pension Scheme Defined Contribution section as its auto-enrolment scheme.

Hightown has operated a Defined Contribution (DC) section within SHPS for all new employees from 1 November 2013. Prior to this date, Hightown operated Defined Benefits structures within SHPS - a Career Average Revalued Earnings (CARE) with 1/80th accrual; a Career Average Revalued Earnings section with 1/60th accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme section1/60th accrual for staff employed prior to 1 April 2007. These defined benefit sections are closed to new entrants but there remain active employees who continue to accrue future benefits. The discounted agreed future contributions towards the past service deficit under the Final Salary and CARE sections is shown under creditors in notes 16 and 17 previoulsy.

An analysis of the SHPS membership is as follows:

*** 31 May 2017**	**SHPS DC**	**Final Salary**	**CARE 1/60ths**	**CARE 1/80ths**	**Total**
Active	675	22	23	19	**739**
Deferred	147	98	32	23	**300**
Pensioner	0	95	12	0	**107**
Total	**822**	**215**	**67**	**42**	**1,146**

31 March 2016	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	439	24	27	20	510
Deferred	11	102	29	22	164
Pensioner	0	91	12	0	103
Total	450	217	68	42	777

31 March 2015	SHPS DC	Final Salary	CARE 1/60ths	CARE 1/80ths	Total
Active	359	28	32	24	443
Deferred	1	105	27	19	152
Pensioner	0	87	10	0	97
Total	360	220	69	43	692

** Data at 31 March 2017 not available*

A. SOCIAL HOUSING PENSION SCHEME – The Pensions Trust

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore Hightown is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where Hightown has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.33% (2016: 2.06%). The unwinding of the discount rate is recognised as a finance cost.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme, based on the financial position of the Scheme as at 30 September 2016. At this date the estimated employer debt for Hightown was £33,553,231 (30 September 2015: £25,952,397).

B. THE PENSIONS TRUST - GROWTH PLAN

Hightown participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for Hightown to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where Hightown has agreed to a deficit funding arrangement Hightown recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 1.32% (2016: 2.07%). The unwinding of the discount rate is recognised as a finance cost.

Hightown has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2016. As of this date the estimated employer debt for Hightown was £75,279.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,563 per annum rising by 3% per annum compound for a further 12 years from 1 April 2017.

C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Plan Characteristics And Associated Risks

The LGPS is a defined benefit statutory Fund administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

The administering authority for the Fund is Buckinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Buckinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013, which will determine the termination contribution due by Hightown, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that Hightown is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long -term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows.. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit Employers e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Hightown paid employer's contribution to the BCCPF during the year ended 31 March 2017 amounting to £5,694 (2016: £5,748) at a contribution rate of 20.1% (2016: 20.1%) of pensionable salaries.

Valuation Data

Data Sources
In completing calculations for pension accounting purposes the following items of data from Buckinghamshire County Council have been used:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2017;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016 and 31 December 2016, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2017;
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2017; and
- Details of any new early retirements for the period to 31 March 2017 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service costs.

Although some of these data items have been estimated, they are not likely to have a material effect on the results of this report. Further it is believed there were no material changes ot events since the data was received.

Employer Membership Statistics
The membership data as at 31 March 2016 is as follows:

Member data	Number	Salaries/Pensions £'000	Average Age
Actives	1	28	53
Deferred Pensioners	2	16	52
Pensioners	5	22	66

The service cost for the year ending 31 March 2017 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £26,000. The projected service cost for the year ending 31 March 2018 has been calculated assuming payroll remains at this level over the year.

Scheduled Contributions
The table below summarises the minimum employer contributions due from Hightown to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 18.8% of payroll p.a.

Minimum employer contributions due for the period beginning	1 April 2017	1 April 2018	1 April 2019
Percent of payroll	18.8%	18.8%	18.8%
Plus monetary amount £'000	4	5	7

Early Retirements
There were no early retirements for the year ending 31 March 2017.

Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 17%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown as at 31 March 2017 is as follows:

Asset Breakdown	31 March 2017		31 March 2016	
	£'000	%	£'000	%
Gilts	79	12%	70	12%
UK Equities	377	56%	307	54%
Other bonds	82	12%	70	12%
Property	51	8%	54	9%
Cash	23	3%	15	3%
Alternative assets	8	1%	8	1%
Hedge Funds	24	4%	24	4%
Absolute return portfolio	25	4%	26	4%
Total	669	100%	574	100%

Bid values have been estimated where necessary. Individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2017 is likely to be different from that shown due to estimation techniques. Based on the above, Hightown's share of the assets of the Fund is less than 1%.

Actuarial Methods And Assumptions

Valuation Approach
To assess the value of Hightown's liabilities at 31 March 2017, the value of Hightown's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions that comply with FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. However, the reporting actuary Barnett Waddingham LLP is satisfied that the approach of rolling forward the previous valuation data to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of Hightown and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share, assets allocated to Hightown have been rolled forward at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of Hightown and its employees.

Demographic / Statistical Assumptions

The demographic assumptions are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted were the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2017	31 March 2016
Retiring today			
	Males	23.9	23.8
	Females	26.0	26.2
Retiring in 20 years			
	Males	26.1	26.1
	Females	28.3	28.5

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial Assumptions

Assumptions as at:	31 March 2017 % p.a.	31 March 2016 % p.a.	31 March 2015 % p.a.
Discount rate	2.7%	3.7%	3.3%
Pension increases	2.6%	2.4%	2.4%
Salary increases	4.1%	4.2%	4.2%

These assumptions are set with reference to market conditions at 31 March 2017. The estimated duration of the Employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of Hightown's liabilities. This approach is consistent with the approach used at the last accounting date.

The Retail Prices Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields usingdata published by the Bank of England (BoE), specifically the 18 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.5%pa. This approach is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, it is assumed that CPI will be 0.9% below RPI i.e. 2.6%. It is believed to be a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This approach is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a . above CPI in addition to a promotional scale. However a short-term overlay from 31 March 2016 to 31 March 2020 has been applied for salaries to rise in line with CPI.

Past Service Costs/Gains, Curtailments and Settlements.
Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. There have been no additional benefits granted over the year ending 31 March 2017.

No employees were permitted to take unreduced early retirement.

There were no liabilities settled at a cost materially different to the accounting reserve during the year.

1. Statement Of Financial Position

Net pension deficit as at	31 March 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Present value of the defined benefit obligation	1,086	864	907
Fair value of Fund assets (bid value)	669	574	579
Deficit	**417**	**290**	**328**

2. Statement Of Profit or Loss For The Year

The amounts recognised in the income and expenditure statement	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Service Cost	8	10
Net interest on the defined liability (asset)	11	11
Administration expenses	-	-
Total loss	**19**	**21**

3. 3. Asset and Benefit Obligation Reconciliation

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Opening defined benefit obligation	864	907
Current Service cost	8	10
Interest cost	32	30
Change in financial assumptions	203	(61)
Change on demographic assumptions	(15)	-
Experience loss(gain) on DB obligation	14	-
Estimated benefits paid net of transfers in	(22)	(24)
Contributions by scheme participants and other employers	2	2
Closing Defined Benefit obligation	**1,086**	**864**

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Opening fair value of Fund assets	574	579
Interest on assets	21	19
Return on assets less interest	78	(8)
Other actuarial gains/(losses)	9	-
Contributions paid by employer included unfunded	7	6
Contributions by scheme participants and other employers	2	2
Estimated benefits paid net of transfers in	(22)	(24)
Settlement prices received/(paid)	-	-
Closing Fair Value of Fund assets	**669**	**574**

The total return on the fund assets for the year to 31 March 2017 is £99,000.

4. Sensitivity Analysis

This table sets out the impact of a small change in the assumptions:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	1,068	1,086	1,105
Projected service cost	11	11	11
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	1,086	1,086	1,086
Projected service cost	11	11	11
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	1,105	1,086	1,068
Projected service cost	11	11	11
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	1,128	1,086	1,046
Projected service cost	11	11	11

5. Re-measurements in other comprehensive income

Remeasurement of the net assets / (defined liability)	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Return on Fund assets in excess on interest	78	(8)
Other actuarial gains/(losses) on assets	9	-
Change in financial assumptions	(203)	61
Change in demographic assumptions	15	-
Experience gain/(loss) on defined benefit obligation	(14)	-
Remeasurement of the net assets / (defined liability)	**(115)**	**53**

6. Projected Pension Expense For The Year To 31 March 2018

Projections for the year to 31 March 2018	Year to 31 March 2018 £'000
Service cost	11
Net interest on the defined liability	11
Administration expenses	1
Total loss	**23**
Employer contributions	**9**

These figures exclude the capitalised cost of any retirements or augmentations which may occur after 31 March 2017. These projections ar ebased on the assumptions as at 31 March 2017, as described earlier in this report.

D. NHS PENSION SCHEME

At the 31 March 2017, there were 13 active members in the NHS scheme who transferred to Hightown under TUPE arrangements when services were transferred to Hightown. The NHS scheme is an unfunded Government scheme and no pension fund deficit liability arises to Hightown.

F

APPENDIX F

ISSUER'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2015 AND THE YEAR ENDED 31 AUGUST 2016

INDEX TO THE ISSUER'S FINANCIAL STATEMENTS

ISSUER'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2015

RETAIL CHARITY BONDS

Retail Charity Bonds plc

Financial Statements

for the period ended 31 August 2015

Registered number: 8940313

Retail Charity Bonds plc

Contents of the Financial Statements
for the period ended 31 August 2015

Contents

Retail Charity Bonds plc
Reference and Administrative Details
for the period ended 31 August 2015

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

Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015

Summary and highlights

Results

The Directors present their Annual Report and audited financial statements for the period from incorporation on 14 March 2014 to 31 August 2015.

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

Key performance indicators

The Company has no specific key performance indicators. It is monitored against the original performance model and it is thus expected to break even.

Chairman's statement

The Directors of Retail Charity Bonds plc are pleased to have approved the issue of two bonds in this first period, for Golden Lane Housing and for Hightown Housing Association. Each member of the Board gives his or her time pro bono in order to support this important initiative and provide charities with access to the retail bond market, and we are grateful to all of them for their contribution.

Performance this period has been in line with expectations and we look forward to working with further charities in the coming year.

Business model and strategy

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

The board has established two board committees:

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

On 29 July 2014 the Company issued £11,000,000 4.375% bonds due 2021 secured on a loan to Golden Lane Housing Limited ("GLH") (a wholly owned subsidiary of the Royal Mencap Society). The cost of issuing the bond was £129,000 leaving a net balance of £10,871,000, which was advanced to GLH through a security trust arrangement with Prudential Trustee Company Limited.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.5753%. GLH is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

On 30 April 2015, the Company issued £27,000,000 4.40% bonds due 2025 secured on a loan to Hightown Housing Association Limited ("Hightown"). The cost of issuing the bond was £227,000 leaving a net balance of £26,773,000, which was advanced to Hightown through a security trust arrangement with Prudential Trustee Company Limited.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.5061%. Hightown is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

The Company has appointed Allia BSL as Origination Manager to identify further suitable charity borrowers who would benefit from being able to access finance through a retail bond.

Financial risk management

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

Interest rate risk

As at 31 August 2015 100% of the Company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the Company.

Liquidity risk

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

Credit risk

The Company is reliant on the interest paid on its loans to fund the interest owing to bondholders. The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds (the "Charged Assets") are charged as security for the benefit of the investors in each of the bonds. As each bond prospectus stipulates that the obligations of the Company to pay amounts due on the bond are limited to the Charged Assets, the bondholders do not have recourse to any general assets of the Company and the risk of default by the borrowers is fully borne by the investors in the bonds.

Operational risks

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

Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015

Directors' insurance

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

Future outlook

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

The Company may issue further bonds in the next twelve months.

Corporate governance statement

Internal control

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively.

By order of the board

John Tattersall
Chairman
23 November 2015

Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015

Incorporation

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

Principal activities

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

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

John Tattersall (Chairman – appointed 14 March 2104)
Gordon D'Silva (appointed 21 March 2014)
Arvinda Gohil (appointed 14 March 2014)
Thomas Hackett (appointed 14 March 2014)
Timothy Jones (appointed 14 March 2014)
Geetha Rabindrakumar (appointed 29 May 2014)
Clare Thompson (appointed 14 March 2014)
Philip Wright (appointed 14 March 2014)

Independent auditor

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

Directors' remuneration

None of the Directors received any remuneration from the Company.

Statement of Directors' Responsibilities

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

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

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

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

Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015

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

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

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

(b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

John Tattersall
Chairman
23 November 2015

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

We have audited the financial statements on pages 11 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

23 November 2015

Retail Charity Bonds plc
Profit and Loss Account
for the period ended 31 August 2015

	Notes	Period ended 31 August 2015
		£'000
Turnover		32
Interest receivable and similar income	3	941
Interest payable and similar charges	5	(941)
Other income		59
Administrative expenditure		(89)
Profit before taxation		2
Tax	6	-
PROFIT FOR THE PERIOD	12	2

The period from incorporation on 14 March 2014 was the first period of trading for the company.

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

The notes on pages 14 to 20 form part of these financial statements.

(Registered number: 8940313)

Retail Charity Bonds plc
Balance sheet
as at 31 August 2015

	Notes	As at 31 August 2015 £'000
Current assets		
Debtors: amounts due after more than one year	7	37,667
Debtors: amounts due after less than one year	8	513
Cash at bank and in hand		2
		38,182
Creditors		
Amounts falling due within one year	9	(463)
Net current assets		37,719
Creditors		
Amounts falling due after one year	10	(37,667)
Net assets		52
Capital and reserves		
Share capital	11	50
Profit and loss account	12	2
Shareholder's funds	13	52

The financial statements were approved by the Directors on 23 November 2015 and were signed on their behalf by:

....

JOHN TATTERSALL - CHAIRMAN

The notes on pages 14 to 20 form part of these financial statements.

Retail Charity Bonds plc
Cash Flow Statement
for the period ended 31 August 2015

	Notes		Period ended 31 August 2015 £'000
Reconciliation of profit to net cash inflow			
Profit before tax			2
Receipt of bond proceeds			37,643
Loans advanced			(37,643)
Interest received			481
Interest paid			(481)
Increase in debtors			(27)
Increase in creditors			27
Net cash inflow from operations			2
CASHFLOW FOR THE PERIOD			
Increase in cash			2
Cash brought forward			-
Net cash resources at period end			2
Reconciliation of net cashflow to movement in net debt			
Increase in cash			2
Receipt of bond proceeds		(37,643)	
Bond interest paid		481	
			(37,162)
Change resulting from cashflow			(37,160)
Other movements			
Interest payable		(941)	
Accrued interest		436	
			(505)
Movement in net debt for the period			(37,665)
Opening net debt			-
Closing net debt	14		(37,665)

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Financial Reporting Standards in the United Kingdom (UK GAAP).

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

Basis of preparation

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

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement.

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

Bond issuing costs

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

Going concern

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

Turnover

The turnover shown in the profit and loss account represents revenue recognised by the Company in respect of services supplied during the period, exclusive of Value Added Tax.

Other income

Other income represents payments from Allia BSL under the Services Agreement with that company and is determined and credited on an accounting period basis.

2. STAFF COSTS

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

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 August 2015 £'000
Interest receivable on loans	941

4. PROFIT AND LOSS ACCOUNT

The profit for the period is stated after charging:

	Period ended 31 August 2015 £'000
Fees payable to RSM UK Audit LLP and its associates:	
Audit remuneration	24
Review of the interim statements	21

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 August 2015 £'000
Interest payable to bond holders	941

6. TAX ON PROFIT OR ORDINARY ACTIVITIES

Analysis of tax charge in the period	Period ended 31 August 2015 £'000
Current tax on income for the period	-
Deferred tax	-
Tax on profit on ordinary activities	-

6. TAX ON PROFIT OR ORDINARY ACTIVITIES (continued ...)

The tax assessed for the period is equal to the standard rate of corporation tax in the UK at 20%.

	Period ended 31 August 2015 £'000
Profit for the period before taxation	2
UK corporation tax at 20%	-
Current tax charge for the year	-

7. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	At 31 August 2015 £'000
Loan to Golden Lane Housing	10,888
Loan to Hightown Housing Association Limited	26,779
	37,667

The loans to Golden Lane Housing and Hightown Housing Association Limited are secured (see note 10 for further details).

8. DEBTORS

	At 31 August 2015 £'000
Other debtors	27
Amounts owing from related companies	50
Accrued interest on Golden Lane Housing loan	40
Accrued interest on Hightown Housing Association Limited loan	396
	513

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 August 2015 £'000
Trade creditors	3
Interest on bond to fund Golden Lane Housing loan	40
Interest on bond to fund Hightown Housing Association Limited loan	396
Accruals	24
	463

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

	At 31 August 2015 £'000
Bond to fund Golden Lane Housing loan	10,888
Bond to fund Hightown Housing Association Limited loan	26,779
	37,667

On 29 July 2014 the Company issued an £11 million bond at a coupon of 4.375% with repayment due in full on 29 July 2021. The funds received after bond issue costs were £10,871,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.575%.

The costs of issuing the bond were £129,000 leaving a net balance of £10,871,000 which was lent to Golden Lane Housing Limited, an independent charity established in 1998 by the Royal Mencap Society.

On 30 April 2015 the Company issued an £27 million bond at a coupon of 4.40% with repayment due in full on 30 April 2025. The funds received after bond issue costs were £26,773,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.506%.

The costs of issuing the bond were £227,000 leaving a net balance of £26,773,000 which was lent to Hightown Housing Association Limited.

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

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

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

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

The borrowings are due as follows:

	At 31 August 2015 £'000
Due in more than five years	37,667
	37,667

11. SHARE CAPITAL

	At 31 August 2015 £'000
Authorised issued shares of £1 each	50
Allotted, called up, but not paid	13

On 14 March 2014 50,000 shares were issued at par.

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

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

12. PROFIT AND LOSS ACCOUNT

	Period ended 31 August 2015 £'000
Profit for the period	2
Carried forward	2

13. MOVEMENT IN SHAREHOLDER'S FUNDS

	Period ended 31 August 2015 £'000
Shares issued during the period	50
Profit for the period	2
Closing shareholder's funds	52

14. ANALYSIS OF NET DEBT

	At 14 March 2014 £'000	Cash flow £'000	Other non-cash changes £'000	At 31 August 2015 £'000
Net cash	-	2	-	2
Debts falling due after more than one year	-	(37,162)	(505)	(37,667)
Net debt	-	(37,160)	(505)	(37,665)

15. RELATED PARTIES

John Tattersall is a Director of the Company; he owns £7,600 of the bonds in relation to Golden Lane Housing Limited issued by the Company and £10,000 of the bonds in relation to Hightown Housing Association Limited issued by the Company.

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

Philip Wright, a Director of the Company, is also a director of Allia Limited. Timothy Jones, a Director of the Company, is also Secretary and Chief Executive of Allia Limited. During the period ended 31 August 2015 the Company charged Allia Bond Services Limited £59,000; Allia Bond Services Limited is a wholly owned subsidiary of Allia Limited. At 31 August 2015 the Company was owed £18,000 from Allia Bond Services Limited.

In addition, Allia Limited holds the £1 Special Share described in note 11.

The Company has taken advantage of the exemption available to wholly owned group companies under Financial Reporting Standard Number 8, "Related Party Disclosures", not to disclose details of its transactions with R C Bond Holdings Limited.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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

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

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

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

Retail Charity Bonds plc

Financial Statements

for the year ended 31 August 2016

Registered number: 8940313

Retail Charity Bonds plc

Contents of the Financial Statements
for the year ended 31 August 2016

Contents

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.

Retail Charity Bonds plc
Strategic Report
for the year ended 31 August 2016

Corporate governance statement

Internal control

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively.

By order of the board

John Tattersall
Chairman
1 December 2016

Retail Charity Bonds plc
Directors' Report
for the year ended 31 August 2016

Incorporation

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

Principal activities

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

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

John Tattersall (Chairman)
Gordon D'Silva
Arvinda Gohil (resigned 8th June 2016)
Thomas Hackett
Timothy Jones
Geetha Rabindrakumar
Clare Thompson
Philip Wright

Independent auditor

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

Directors' remuneration

None of the Directors received any remuneration from the Company.

Directors' insurance

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

Statement of Directors' Responsibilities

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

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

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

In addition, the Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them 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:

....
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	Period ended 31 August 2015
	£'000	£'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	Period ended 31 August 2015
	£'000	£'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	Period ended 31 August 2015
	£'000	£'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	Period ended 31 August 2015
	£'000	£'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)

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