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PROSPECTUS DATED 31 MARCH 2015

Hightown Praetorian & Churches Housing Association Limited

4.4 per cent. Bonds due 30 April 2025

(Issued by Retail Charity Bonds PLC)

secured on a loan to Hightown Praetorian & Churches Housing Association Limited

MANAGER

Canaccord Genuity

SERVICER

Allia Bond Services 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 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**") at 100 per cent. of their nominal amount.

The proceeds of the Bonds described in this Prospectus will be loaned to Hightown Praetorian & Churches Housing Association Limited (the "**Charity**") by way of a loan (the "**Loan**") on the terms of a loan agreement (the "**Loan Agreement**") to be entered into between the Issuer and the Charity on 30 April 2015 (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 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 business 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 Sections 1 ("*Summary*") (in so far as the information relates to the Charity only), 2 (*"Risk Factors - Factors that may affect the Charity's ability to fulfil its obligations under the Loan Agreement*") and 3 ("*Description of the Charity*"), the information relating to it under the headings "Material or Significant Change" and "Litigation" in Section 10 ("*Additional Information*") and Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2014, 31 March 2013 and 31 March 2012*"). 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 Praetorian & Churches 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 27 April 2015) 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 ("**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) Canaccord Genuity Limited (the "**Manager**"); (ii) iDealing.com Limited, Interactive Investor and Redmayne Bentley LLP; (iii) any other financial intermediary appointed after the date of this Prospectus and whose name is published on the Issuer's website (http://www.retailcharitybonds.co.uk/bonds/hpcha) 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 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**") described in the Prospectus dated 31 March 2015 (the "**Prospectus**") published by Retail Charity Bonds PLC (the "**Issuer**"). In consideration of the Issuer and Hightown Praetorian & Churches 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 31 March 2015 to 12.00 noon (London time) on 27 April 2015 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 31 March 2015 to 12.00 noon (London time) on 27 April 2015 (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 Praetorian & Churches 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**	*Charity*

	the group and the issuer's position within the group.	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 income and expenditure account and balance sheet is set out below, which has been extracted without material adjustment from the statutory financial statements of the Charity for the years ending 31 March 2014, 31 March 2013 and 31 March 2012.

There has been no significant change in the financial or trading position of the Charity since 31 March 2014 and there has been no material adverse change in the prospects of the Charity since 31 March 2014.

Selected historical key financial information to be included

Income & Expenditure Account			**£'000**
Year Ended 31 March	**2012**	**2013**	**2014**
Turnover (ex Sales)	29,378	32,645	36,014
Operating Costs	(18,462)	(18,903)	(19,295)
Depreciation	(2,699)	(2,696)	(3,278)
Shared Ownership Sales	3,961	11,026	9,282
Cost of Shared Ownership Sales	(3,958)	(10,501)	(8,356)
Operating Surplus	8,220	11,571	14,367
Surplus on sale of Fixed Assets	598	48	1,068
Interest Receivable	139	96	175
Interest Payable	(4,289)	(5,024)	(6,072)
Surplus on ordinary activities for the year after tax	4,668	6,691	9,538

Balance Sheet			**£'000**
Year Ended 31 March	**2012**	**2013**	**2014**

<u>**Fixed Assets**</u>			
Housing Properties at depreciated cost	339,986	361,092	390,920
Social Housing Grant	(136,142)	(139,639)	(142,419)
	203,844	221,453	248,501
Other Tangible Fixed Assets & Investments	8,226	8,191	7,979
Total Fixed Assets	**212,070**	**229,644**	**256,480**
<u>**Current Assets**</u>			
Stock	2,717	3,749	1,886
Debtors	2,404	2,202	3,074
Cash at bank and in hand	9,103	7,186	16,449
Total Current Assets	14,224	13,137	21,409
Creditors: Amounts falling due within 1 year	(13,792)	(9,567)	(10,505)
Net Current Assets	432	3,570	10,904
Total Assets less Current Liabilities	**212,502**	**233,214**	**267,384**
Creditors: Amounts falling due after more than 1 year	175,476	189,393	214,191
Provisions for Liabilities and Charges	-	253	240
<u>**Capital and Reserves**</u>			
Reserves	37,026	43,568	52,953
Total Equity & Long Term Liabilities	**212,502**	**233,214**	**267,384**

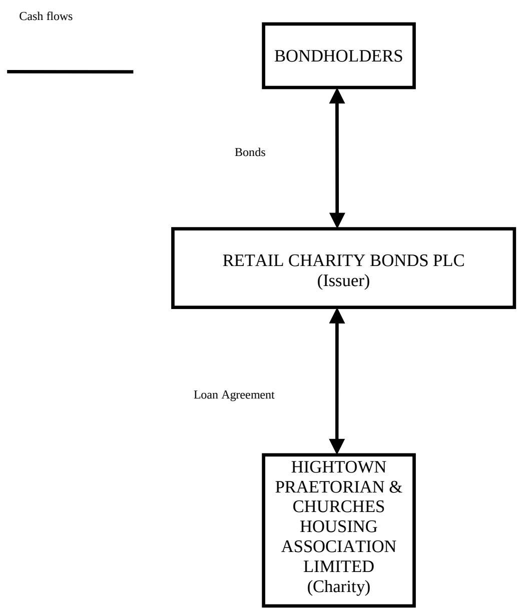
B.13	**Events impacting the Issuer's solvency**	*Charity* Not Applicable. There are no recent events particular to the Charity which are to a material extent relevant to the evaluation of the Charity's solvency.
B.14	**Dependence on other group entities**	*Charity* Not Applicable. The Charity is not part of a group.
B.15	**Principal Activities**	*Charity* The Charity’s main activities are: • The provision of social housing, housing management and development, currently managing over 4,400 homes and with a development programme of around 300 new affordable homes each year; and

		• The provision of housing and support services to over 860 tenants and residents, including people with special needs, and the delivery of approximately 10,000 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: (i) RC Bond Holdings Limited ("**Holdings**"); and (ii) 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 35 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 global overview of the parties to the**	*Issuer* The Issuer's principal activity is to issue debt securities (such as the Bonds) and to lend the proceeds of issue to exempt charities or registered charities in the United Kingdom (such as Hightown Praetorian & Churches Housing Association Limited) to be applied

	securitisation programme including information on the direct or indirect ownership or control between those parties.	in the achievement of the relevant charity's objects. The Issuer was established as an issuing vehicle to enable exempt charities or registered charities to raise capital in the bond market. 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 Bond Services 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. Since the date of its incorporation on 14 March 2014, the Issuer has commenced operations and has published its audited condensed financial statements for the period ended 31 August 2014.
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 Not applicable. Since the date of its incorporation on 14 March 2014, no financial statements have been made up for a full financial year as at the date of this Prospectus.	
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 2014.
B.25	**A description of the underlying assets including:** • **confirmation that**	*Issuer* *Capacity to produce funds* The proceeds from the issue of the Bonds will be loaned by the Issuer to the Charity by way of a loan (the "**Loan**") on the terms of a

	the securitised assets backing the issue have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the securities • **a description of the general characteristics of the obligors and in the case of a small number of easily identifiable obligors, a general description of each obligor** • **a description of the legal nature of the assets** • **loan to value ratio or level of collateralisation** • **Where a valuation report relating to real property is included in the prospectus, a description of the valuation.**	loan agreement (the "**Loan Agreement**") to be entered into between the Issuer and the Charity on 30 April 2015 (the "**Issue Date**"). 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. 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. 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 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. 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 Loan 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.

B.28	**A description of the structure of the transaction, including, if necessary, a structure diagram.**	 *Issuer* The Issuer will issue the Bonds and loan the proceeds of the issue 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 Bondholders) may enforce the terms of the Loan against the Charity for the benefit of the Bondholders and for the benefit of certain other secured parties.
B.29	**A description of the flow of funds including information on swap counterparties and any other material forms of credit/liquidity enhancements and the providers thereof.**	*Issuer* Payments in respect of the Bonds will be funded by the interest and principal payable on the Loan Agreement. No swaps will be entered into nor will any other form of credit or liquidity enhancement be provided in connection with the Bonds.
B.30	**The name and a description of the originators of the 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 are backed by payments due on the Loan Agreement. Bondholders have access to the payments due on the Loan Agreement through

		the security that has been granted by the Issuer in favour of the Bondholders over its rights in respect of the Loan Agreement. If the Charity does not meet its obligations under the Loan Agreement resulting in an event of default under the terms and conditions of the Bonds, the Bondholders may instruct the Trustee to enforce the security and take control of the Loan. The Charity is Hightown Praetorian & Churches Housing Association Limited, and is a Registered Provider of Social Housing, operating principally in Hertfordshire and East Buckinghamshire.

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 4.4 per cent. Bonds due 30 April 2025 (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 XS1200788369 and the Common Code is 120078836.
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*" below, and will rank *pari passu* (i.e. equally in right of payment) among themselves. Payments in respect of the Bonds will be solely funded by the interest and principal payable on the Loan Agreement (and, if available, by repayments of income tax withheld by the Charity on payments of interest on the Loan). The obligations of the Issuer to the Bondholders in respect of the Bonds are limited in recourse, which means that Bondholders will have no rights with respect to any loan agreements for any other series of bonds. See also "*Limited recourse*" below. *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 and the Loan by the Charity will be made without deduction for or on account of taxes imposed by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax unless such deduction is required by law. In the event that any such deduction is made, neither the Issuer nor the Charity (as applicable) will be required to pay additional amounts to cover the amounts so deducted. *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 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.

<table>
<tr>
<td>C.9</td>
<td>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
</td>
<td>Interest

The Bonds bear interest from their date of issue at the fixed rate of 4.4 per cent. per annum. The yield of the Bonds is 4.4 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 30 April and 30 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 30 April 2025 (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 30 April 2027 (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 Bond Services Ltd. will act as Servicer for the Issuer.</td>
</tr>
<tr>
<td>C.10</td>
<td>If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.</td>
<td>Not Applicable. The rate of interest payable on the Bonds is 4.4 per cent. per annum and does not contain a derivative component.</td>
</tr>
</table>

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

Section D – Risks

Element	Title	
D.2	**Key information on the key risks that are specific to the issuer.**	*Issuer:* • The Issuer is an entity which has been established for the purpose of issuing asset-backed securities. It has very limited assets. As investors in the Bonds, Bondholders will only have limited recourse to certain of those assets in the event that the Issuer fails to make payments in respect of the Bonds. • The Issuer's only material assets in respect of the Bonds will be its rights under the Loan Agreement and, accordingly, as investors in the Bonds, Bondholders will take credit risk on the Charity. • The Issuer is a party to contracts with a number of third parties that have agreed to perform certain services in relation to the Bonds. The nature of some of these services is highly specialised and disruptions in these arrangements could lead to Bondholders incurring losses on the Bonds. • The Issuer has not undertaken and will not undertake any investigations or due diligence to establish the creditworthiness of the Charity for the benefit of the Bondholders. *Charity:* • 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

Element	Title	
		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 contain a gross-up provision requiring the Issuer or the Charity to pay any additional amounts to Bondholders or (in the case of the Loan Agreement) the Issuer, to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds or the Loan Agreement. • If a withholding or deduction for or on account of tax in respect of payments due on the Loan by the Charity result in a shortfall in the amounts available to the Issuer to pay interest due on the Bonds, such shortfall shall be deferred and shall become due and payable on the next interest payment date to the extent that the Issuer has sufficient funds (in accordance with its priority of payments) to pay such shortfall. • Bondholders may not receive payment of the full amounts due in respect of the Bonds as a result of amounts being withheld by the Issuer or the Charity in order to comply with applicable law. • Defined majorities may be permitted to bind all the Bondholders with respect to modification and waivers of the terms and conditions of the Bonds. • If the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Companies Regulations 2006 (S.I. 2006/3296) (or subsequently does not), then the Issuer could suffer tax liabilities not contemplated in the cash

Element	Title	
		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 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 31 March 2015 and close at 12.00 noon (London time) on 27 April 2015 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 April 2015 (the "**Subscription Agreement"**), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 27 April 2015 (the "**Commitment Agreement**"); and (iii) the Loan Agreement being signed by the Issuer and the Charity on or about 30 April 2015. 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.

Retail Charity Bonds PLC (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 described in this Prospectus will be loaned to Hightown Praetorian & Churches Housing Association Limited (the "**Charity**") under the loan agreement to be dated the date of issue of the sterling denominated 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds"),** (the "**Loan Agreement**"). 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 document (the "**Prospectus**"). Accordingly, in the event that the Issuer fails to make payments in respect of the Bonds, investors in the Bonds will have recourse only to certain of the assets of the Issuer.

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

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

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

No independent investigation by the Issuer of the Charity

The Issuer has not undertaken and will not undertake any investigations or due diligence to establish the creditworthiness of the Charity for the benefit of holders of the Bonds ("**Bondholders**"). The Issuer does not provide any credit enhancement, guarantee or any other credit support in respect of the Charity or its obligations under the Loan Agreement.

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

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

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

Investors should note that the Charity has agreed to deliver certain information to Allia Bond Services 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"*), Schedule 1 (*"Form of Compliance Certificate"*) and Schedule 2 (*"Form of Annual Statements on Social Impact"*). In addition, the Charity is required to notify the Issuer of any default under the Loan Agreement promptly upon becoming aware of its occurrence. Investors should note, however, that the Issuer shall not be responsible for reviewing or monitoring the receipt of any such information and that Bondholders will therefore be responsible for reviewing such information and deciding upon a course of action to be taken in relation to it.

The Issuer has agreed to forward such information to Prudential Trustee Company Limited (the "**Trustee**") under the trust deed dated 26 June 2014 as supplemented from time to time (the "**Trust Deed**") 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/hpcha. 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.

The Issuer has limited operating history

The Issuer has limited operating history and, as at the date of this Prospectus, in only one instance has it had experience with the issuance of bonds. As a recently incorporated special-purpose vehicle, the Issuer will be subject to all of the business risks and uncertainties associated with any new business, including the risk that it will not achieve its investment objective and that the value of an investment could decline substantially. The Issuer will not engage in any activities which are not related to the issue of bonds.

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 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.

The Welfare Reform Act 2012 (the "**Welfare Reform**"), sets out significant changes in the provision of welfare benefits. The act provides for the introduction of a number of reforms including a total household benefit cap, which has been set at £26,000 per year for couples and lone parents, and £18,200 per year for single people without children. A new occupation size criterion for working age tenants occupying social housing and in receipt of housing benefit has also been introduced since 1 April 2013.

The under-occupation penalty will reduce the amount of housing benefit (or the housing element of Universal Credit (as defined below) which will replace it) received by those who are deemed to be under-occupying their home, by 14 per cent. where a household has one extra bedroom, and 25 per cent. where there are two or more extra bedrooms. The Government's impact assessment published in mid-2012 indicated that around 660,000 claimants were expected to be affected by the new measure and press reports indicate that households are going into arrears as a result of this reduction in housing benefit entitlement, which may in turn adversely increase the level of rent arrear for Registered Providers of Social Housing. As at 31 December 2014, the Charity had 96 tenancies affected by the under-occupation penalty and 41 of the 96 tenants affected by the penalty were actually making up the shortfall in their rent themselves, but 55 of those tenants were not and therefore are in increasing arrears. Those tenants who are affected by the under-occupation penalty and are unable or unwilling to move to a smaller house or flat are at great 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.

Caps have already been introduced to the Local Housing Allowance, which applies to those living in the private rented sector and this is primarily affecting those living in central London and South East London. Currently these caps do not apply to tenants living within social housing, but Registered Providers of Social Housing are anticipating that in practice, local authorities may not pay out benefit above the level of the caps and are setting their affordable rent levels accordingly (see below for an explanation of the affordable rent policy) which may have a negative impact on the Charity's business plan and its ability to make repayments under the Loan Agreement.

Universal Credit is currently in an extended "roll out" stage which is projected to last at least two years (subject to any changes after the general election in 2015). It is a single means-tested benefit paid to those of working age (in and out of work) which will include an amount in respect of housing costs which will replace housing benefit, ("**Universal Credit**"). Currently most claimants choose to have their housing benefit paid directly to Registered Providers of Social Housing and it has been acknowledged by the Government that some households may go into rent arrears as a consequence of the introduction of Universal Credit and the related plans to introduce payment of housing benefit to claimants as the base case scenario. Any increase in the level of rent arrears for the Charity may impact on the Charity's ability to meet its payment obligations under the Loan Agreement.

In order to allay the concerns of Registered Providers and their lenders regarding the effect of Universal Credit, the Department of Work and Pensions (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 arrears of rent. The DWP has set up a support and exceptions working group to look at which vulnerable claimants will fall within the support group and will be assessing the results of the pilot projects to identify the approach to arrears, which could be based on the length of time for which arrears have been outstanding or the amount of arrears. On 30 May 2012 Moody's Investors Services Inc. ("**Moody's**") issued a special comment relating to payments of housing benefit to claimants. Moody's view the payment of housing benefit to working age tenants as a "manageable" risk. However, changes to the structure of the benefit system (including any system of direct payments of the housing component of Universal Credit to tenants and the fact that benefits are paid monthly in arrear) may affect the ability of claimants of housing benefit to pay their rent and also affect the ability of the Charity to meet its payment obligations under the Loan Agreement on a timely basis.

While existing social tenancies and rent levels remain unchanged, the Localism Act 2011, together with the new regulatory framework for social housing in England from April 2012 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 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 December 2014, the Charity had 170 properties let at affordable rent levels (3.7 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.

Changes to housing grant rules may adversely affect the Charity

The Charity receives capital grant funding from a variety of sources, including the HCA, the government housing and regeneration agency that provides funding for affordable housing in England. 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 HCA regulatory framework, 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 future development plans of the Charity.

Since 2005, bids for social housing grants to supply new affordable housing have been accepted from unregistered bodies in addition to Registered Providers of Social Housing. Private developers and arm’s length management organisations established by local authorities are among the unregistered bodies from whom bids are accepted. One of the aims of the measure was to increase competition. In September 2008, as part of a package of measures announced to stimulate the housing market and deliver new social housing, the previous Government announced that local authorities who directly manage houses will also be invited to bid for grants.

In 2010 the Government announced a new funding framework: the 2011-2015 Affordable Homes Programme (the “**Framework**”). The Framework largely replaced the previous social housing grant programme, although outstanding grants agreed under the previous arrangements will be paid to Registered Providers of Social Housing. The Framework is designed to offer more flexibility to registered housing providers, enabling them to use existing assets to support new development programmes, and to offer a wider range of housing options to people accessing social housing.

Under the Framework, the level of Government grant has 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. The primary change brought about under the New Framework is that not all of the available funding has been allocated from the outset. Instead, just over 50 per cent. was initially allocated, with the remainder (being £800,000,000) being made available via on-going market engagement. This approach 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. This risk increases if payment of housing benefit 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. In the event that any such 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.

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 thereto. The receipt of rental payments by the Charity, as landlord, may 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 the last two years has been 4.2 per cent. (as at 31 March 2014) and 3.7 per cent. (as at 31 March 2013) of gross rent. The non-payment, or any delay in payment of material amounts of rental income, could affect the ability of the Charity to meet its payment obligations under the Loan Agreement.

Restriction on rental growth may impact the Charity adversely

Government regulations mean that rental income in England can be increased each year in April by reference to the Retail Price Index (“**RPI**”) for the December of the preceding year plus 0.5 per cent. plus up to £2 per week (the £2 per week adjustment only being available where the rent level of a property has not yet reached 'target rent' level). In April 2011 the Government implemented plans to increase welfare benefits (including housing benefit) in line with the Consumer Price Index (“**CPI**”) rather than RPI. The CPI is typically lower than RPI and does not currently include housing costs.

On 26 June 2013 the Chancellor announced that social rents in England will increase in line with the CPI plus one per cent. from 1 April 2015 until 31 March 2025. This formula will replace the current formula of RPI plus 0.5 per cent plus £2. The detail that has been published to date, and notably the consultation on the revised regulatory framework published by the Government in May 2014, on the new rental formula does not include the previous provision of +/- £2 per week to allow convergence towards target rents. The Government has stated that it is intended that Registered Providers of Social Housing with properties currently under target rent level will, nevertheless, be expected to comply with the new lower rent increase limits unless these limits will impact on the provider's financial viability, in which case a waiver should be sought from the Regulator. The Government consultation closed on 19 August 2014 and the rent standard proposals for change are expected to be implemented in time for the 2015/2016 financial year.

Ten years of certainty on the future rent regime is of considerable value to Registered Providers of Social Housing in developing their business. Historic and forecast differences between the old and new rent setting regimes do not suggest that rental income will fall when the new regime is introduced on 1 April 2015. At this date, 94.8 per cent. of the Charity's social rented tenancies will be at or above target rent. The impact of the removal of the provision to charge +/- £2 per week to allow convergence towards target rents will differ for different Registered Providers of Social Housing, depending upon the number of tenancies where target rents will not be reached by March 2015. For the Charity, the impact of the removal of rent convergence will be £39,000 per annum which equates to 0.2 per cent. of rental income and is manageable within the Charity's business plan.

The Charity will apply future rent increases, or decreases in the case of negative RPI or CPI, in accordance with the UK government rent regimes (if any) in place at that time. The current regime for regulated rents allows for increases at RPI plus 0.5 per cent. until March 2015 and CPI plus 1 per cent. for each of the 10 years thereafter. The Charity's regulated rental income sensitivity to a 1 per cent. increase or decrease in RPI and CPI is circa £239,000 per annum based on its current year's rental income, which the Charity does not deem material to its ability to meet its obligations under the Loan Agreement.

The Charity has a number of mechanisms in place to mitigate the scenario of negative inflation including control over its variable cost base. In addition, the Charity considers the correlation between inflation and interest rates when managing its variable interest rate bill. However there can be no assurance that such measures will be successful and failure to manage such risk could adversely impact the Charity’s cashflows and operations.

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 December 2014, 640 of the Charity’s units were shared ownership properties which amount to 13.8% of the Charity’s stock. In the next five years it is expected this figure will rise to 1017 and will be 17.5% of the Charity’s stock. Revenue received from this activity in the year to March 2014 was £2,384,000 from rent and service charges, and £9,282,000 of sales income (5.3 per cent. and 20.5 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 and Buckinghamshire County Councils. 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.

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. 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 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.

Changes to the residential property market generally may adversely affect the Charity

The Charity intends to develop approximately 300 new affordable homes each year for the next three to five years at least. A large proportion of the supply of these homes for the next three years is already identified. Approximately two thirds of these homes will be for affordable rent and one third for shared ownership. Residential property and development investment is subject to varying degrees of risks. Market 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, taxation, landlords and tenants and welfare benefits which could affect positively and negatively 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 market 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 its 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.

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.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Charity will be unable to comply with its obligations as an entity with securities admitted to the Official List of the Financial Conduct Authority.

Changes in regulation may adversely affect the Charity

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. The HCA exercises its functions as regulator acting through a separate committee established to undertake this regulatory role. The statutory powers available to the Regulator are largely unchanged from those previously in place between April 2010 and April 2012, during which time the Tenant Services Authority (TSA) acted as the regulator of Registered Providers of Social Housing. The Regulator continues to provide 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 publication entitled "*The regulatory framework for social housing in England from April 2012*" (the “**Regulatory Framework**”), setting out the standards which apply to Registered Providers of Social Housing from 1 April 2012. The standards are: "Tenant Involvement and Empowerment", "Home standard", "Neighbourhood and Community", "Value for Money", "Governance and Financial Viability" and the "Rent standard". Registered Providers of Social Housing are expected to comply with the standards, although the Regulator's approach is that Registered Providers of Social Housing should have freedom to enable them to innovate in the best interests of their tenants.

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. The Regulatory Framework includes guidance as to how the Regulator will assess whether serious detriment may arise.

Following a consultation in 2013/2014 regarding proposed changes to the way in which the Regulator regulates Registered Providers of Social Housing, the Regulator has issued a Decision Statement in January 2015 setting out the changes to be made to the Regulatory Framework. The amendments to the Regulatory Framework attempt to strike a balance between strengthening the Regulatory Framework while minimising burdens on the sector. These amendments include, among other things, an amended "Governance and Financial Viability" standard and a new code of practice. Effective risk management is a central part of this. Registered Providers of Social Housing are required to have a full understanding of all aspects of their business, including a thorough and documented understanding of their assets and any liabilities on those assets. As part of their risk management approach, Registered Providers of Social Housing will be required to stress test their business. The new Regulatory Framework will be published at the end of March 2015 and will come into effect on 1 April 2015.

The nature and extent of regulation could 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. The CQC has recently adopted a substantially increased level of robustness in its inspection process, possibly as a result of a number of recent high profile issues within the health and social care sector that have attracted adverse media comment and heightened public awareness. 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.

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 failure to comply with corporate, employee or taxation laws. If any of this were to occur in the future, this could have an adverse impact on the Charity's results of its operations. 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.

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 December 2014, the Charity had £56,000,000 of undrawn and committed bank funding lines of which around £19,000,000 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 quarterly through the Finance & Audit Committee and the Board.

The hedging strategy is regularly reviewed by the Finance & 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 December 2014 approximately 33.2% of the Charity’s borrowings were at fixed rates of interest (28.7% 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 2014 amounted to £641,000, 1.4 per cent. of turnover.

There are four active pension schemes:

(a) Social Housing Pension Scheme;

(b) Pensions Trust Growth Plan;

(c) Local Government Pension Scheme; and

(d) 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:

1. Final Salary with a 1/60th accrual (29 current employees at 31 January 2015);

2. Career Average Revalued Earnings with a 1/60th accrual (33 current employees at 31 January 2015; and

3. Career Average Revalued Earnings with a 1/80th accrual (25 current employees at 31 January 2015).

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. The SHPS was last valued at 30 September 2011. 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%. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the position of the scheme at 30 September 2013. The market value of the scheme's assets at the date of the Actuarial Report was £2,718 million with a shortfall of assets compared to the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%. The result of the next formal valuation of the Scheme as at 30 September 2014 is expected during the spring of 2015. If the scheme deficit has increased, then the Charity, and all participating employers, may be required to make additional payments under a new recovery plan and to make higher future service contributions. The Charity is currently making payments into the scheme under two recovery plans until 2026. The total sum payable over this period is £4.2 million. The Charity has been notified that its estimated employer debt, should it withdraw from the SHPS Defined Benefit Scheme, was £17.9 million at 30 September 2013.

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 January 2015 there were 334 contributing members.

The performance risk on this pension fund is met by the employee 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. There are two active members. The 2011 valuation revealed a deficit of £148m (84.1% funded) on this scheme. Under the deficit recovery plan the Charity is required to pay £5,196 per annum rising by 3% per annum compound for 10 years from 1 April 2013. The total sum payable from 1 April 2014 is £54,368. The Charity paid no on-going contributions into the fund during 2013/14 aside from the recovery plan payments set out above.

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

This is administered by Buckinghamshire County Council. The Charity participates in this LGPS by virtue of staff who transferred under Transfer of Undertakings (Protection of Employment) provisions (**TUPE**). At 31 January 2015 there was one active member in the scheme. The LGPS is also a multi-employer scheme but, unlike SHPS it is possible to identify the underlying assets and liabilities attributable to the Charity. At 31 March 2014, the fair value of the assets attributable to the Charity amounted to £529,000; the corresponding liabilities amounted to £769,000 – a deficit of £240,000. The Charity will be required to clear any deficit by making payment into the fund when the employee ceases to be employed by the Charity or otherwise leaves the scheme.

The NHS pension scheme.

The NHS scheme applies to staff who transferred to the Charity under TUPE arrangements. There is one active employee. This is a government-funded scheme and no pension deficit liability arises.

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 the Transfer of Undertakings (Protection of Employment) regulations 2006 (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.

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 30 April 2027 (the "Legal Maturity Date")

The Loan Agreement will provide for repayment of the loan by the Charity on 30 April 2025 (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 30 April 2025 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 30 April 2027 (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 Financial Services Compensation Scheme (the "**FSCS**") is the UK statutory compensation fund of last resort for customers of authorised financial services firms. In the event of the failure of a bank or certain other institutions, the customers of the relevant institution may be able to obtain compensation from the FSCS for certain of their losses. For example, deposits in a bank account are protected by the FSCS up to certain limits.

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

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

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

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

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

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

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

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

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

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

The Servicer does not have any duties in relation to taking enforcement action or seeking to make recoveries under the Loan Agreement. In the event that the Charity has defaulted under the Loan Agreement giving rise to the occurrence of an event of default in respect of the Bonds, the Trustee (subject to it being indemnified, secured and/or pre-funded to its satisfaction and acting on the instructions of Bondholders in accordance with the Trust Deed and the Conditions) 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 contain a gross-up provision requiring the Issuer or the Charity to pay any additional amounts to Bondholders or, in the case of the Loan Agreement, the Issuer, to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Loan Agreement or the Bonds

The Issuer will not be obliged to pay any additional amounts to Bondholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Bonds by the Issuer or The bank of New York Mellon, London Branch (the "**Paying Agent**"). Neither will the Charity be obliged to pay any additional amounts to the Issuer to reimburse the Issuer for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Loan by the Charity. 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 introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (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 does not), then the Issuer could be subject to additional tax liabilities not contemplated in the cashflows for the transaction described in this Prospectus which could adversely affect its ability to make payments on the Bonds.

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.

Withholding under the EU Savings Directive

Under Council Directive 2003/48/EC ("the **Savings Directive**")on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the Savings Directive requirements described above (the "**Amending Directive**"). The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities and the circumstances in which payments must be reported or paid subject to withholding would be expanded. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in a Member State that is not subject to the effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside the European Union (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in a Member State, would fall within the scope of the Savings Directive, as amended.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

As indicated above ("*Risk Factors - Neither the Bonds nor the Loan Agreement contain 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*"), if a payment were to be made of collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Bonds) nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

US Foreign Account Tax Compliance Withholding

The US "Foreign Account Tax Compliance Act" ("**FATCA**") imposes a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources with the US, (ii) payments of gross proceeds (including principal repayments) from the disposition of property that can produce US source interest or dividends, (iii) "foreign pass thru payments" made to certain non US financial institutions that do not comply with this new reporting regime, and (iv) payments to certain investors that do not provide identification information with respect to interests issued by a participating non US financial institution. Whilst the Bonds are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems (see Section 6 ("*Taxation – US Foreign Account Tax Compliance Act*")). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of

FATCA and how FATCA may affect them. The Issuer's obligations under the Bonds are discharged once it has made payment to, or to the order of, the common depositary or common safekeeper for the clearing systems (as bearer of the Bonds) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Other forms of withholding tax on the Bonds

Although no withholding tax is currently imposed under the laws of the United Kingdom on payments of interest or principal on the Bonds (for so long as these remain listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007), there can be no assurance that the law will not change 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. The Issuer is not required to make any "gross up" payments in respect of any withholding tax applied in respect of payments on the Bonds.

Change of law

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

Risks related to the market generally

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

The secondary market generally

The Bonds do not have an established trading market when issued, and one may never develop. Whilst the Issuer has made an application for the Bonds to be admitted to the London Stock Exchange's electronic Order book for Retail Bonds (the "**ORB**") and one or more market makers on the ORB will be appointed in respect of the Bonds, there can be no guarantee that a significant market in the Bonds will develop. If a market 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, Canaccord Genuity Limited (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 Praetorian & Churches 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.

The Charity is a registered charitable community benefit society and, as such, 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, but the Charity has always been a provider of care and support to vulnerable people as well as a social landlord.

The Charity currently has no subsidiaries. Since 2 June 2003, the Trustees of Community Meeting Point Harpenden ("**CMP**") had been a subsidiary of the Charity through a declaration of trust in favour of the Charity. However, as its results were not considered material it was not consolidated with the financial statements. On 1 April 2014, the assets and liabilities of CMP were transferred to the Charity and CMP has since been wound up.

Business Description and Principal Activities

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

The Charity manages over 4,400 homes and employs about 600 full and part time staff. As at 31 March 2014, the Charity had an annual turnover of £45 million and assets of £398 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:

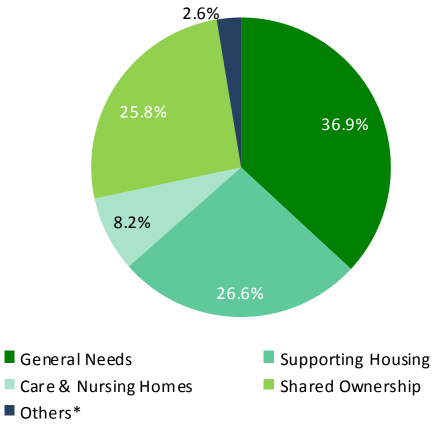
- It is a social landlord managing over 4,400 units of housing of which approximately 2,602 are affordable homes for rent, 667 are supported housing units, 598 are homes for shared ownership and 566 are leasehold homes,
- It is a provider of housing and support to people with support needs including people with learning disabilities and mental health problems, young people and homeless people (approximately 860 clients and 10,000 hours of support a week), and
- It is a developer of new affordable housing at a rate of approximately 300 new homes a year.

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 71.6% of the revenue, and
- Shared Ownership Rental, Staircasing and Sales for approximately a further 25.8% of the revenue, while
- The remaining 2.6% ('Others') includes Management Services and Charity Shop Revenues.

2014 Revenue Breakdown



Products and Services

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

a) General Needs,

b) Supported & Sheltered Housing,

c) Intermediate Rent, Key Worker & Rent Homebuy,

d) Shared Ownership,

e) Registered Care & Nursing Home, 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 £53.0 million of retained reserves as at 31 March 2014.

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

Based on this the Charity believes it has a resilient and proven business model. The report and financial statements for the years ended 31 March 2014, 31 March 2013 and 31 March 2012 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.

Income & Expenditure Account					**£'000**
Year Ended 31 March	**2010**	**2011**	**2012**	**2013**	**2014**
Turnover (ex Sales)	26,477	26,723	29,378	32,645	36,014
Operating Costs	(17,997)	(17,571)	(18,462)	(18,903)	(19,295)
Depreciation	(1,141)	(2,155)	(2,699)	(2,696)	(3,278)
Shared Ownership Sales	4,231	5,107	3,961	11,026	9,282
Cost of Shared Ownership Sales	(4,394)	(5,054)	(3,958)	(10,501)	(8,356)
Operating Surplus	7,176	7,050	8,220	11,571	14,367
Surplus on sale of Fixed Assets	128	308	598	48	1,068
Interest Receivable	10	72	139	96	175
Interest Payable	(2,864)	(3,124)	(4,289)	(5,024)	(6,072)
Surplus on ordinary activities for the year after tax	4,450	4,306	4,668	6,691	9,538

Balance Sheet					£'000
Year Ended 31 March	**2010**	**2011**	**2012**	**2013**	**2014**
<u>Fixed Assets</u>					
Housing Properties at depreciated cost	239,578	293,610	339,986	361,092	390,920
Social Housing Grant	(109,025)	(128,156)	(136,142)	(139,639)	(142,419)
	130,553	165,454	203,844	221,453	248,501
Other Tangible Fixed Assets & Investments	6,284	8,014	8,226	8,191	7,979
Total Fixed Assets	**136,837**	**173,468**	**212,070**	**229,644**	**256,480**
<u>Current Assets</u>					
Stock	1,600	2,848	2,717	3,749	1,886
Debtors	2,766	2,118	2,404	2,202	3,074
Cash at bank and in hand	4,309	28,015	9,103	7,186	16,449
Total Current Assets	8,675	32,981	14,224	13,137	21,409
Creditors: Amounts falling due within 1 year	(7,009)	(7,991)	(13,792)	(9,567)	(10,505)
Net Current Assets	1,666	24,990	432	3,570	10,904
Total Assets less Current Liabilities	**138,503**	**198,458**	**212,502**	**233,214**	**267,384**
Creditors: Amounts falling due after more than 1 year	109,038	166,461	175,476	189,393	214,191
Provisions for Liabilities and Charges	-	-	-	253	240
<u>Capital and Reserves</u>					
Reserves	29,465	31,997	37,026	43,568	52,953
Total Equity & Long Term Liabilities	**138,503**	**198,458**	**212,502**	**233,214**	**267,384**

The financial statements in Appendix E (“*Charity Annual Report and Accounts for the Years Ended 31 March 2014, 31 March 2013 and 31 March 2012*”) comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Direction for Social Housing from April 2012.

Property Portfolio

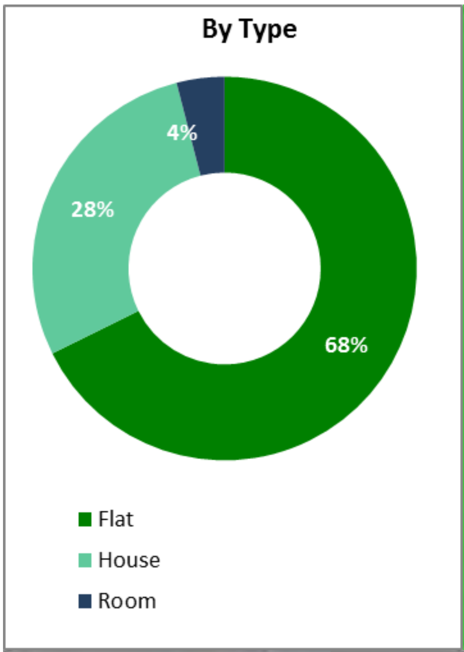
The areas where the Charity operates are generally located in good quality residential areas just outside London. The property portfolio is concentrated across a relatively small number of local authorities, which the Charity believes give it cost efficiencies. The local authority waiting lists for social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

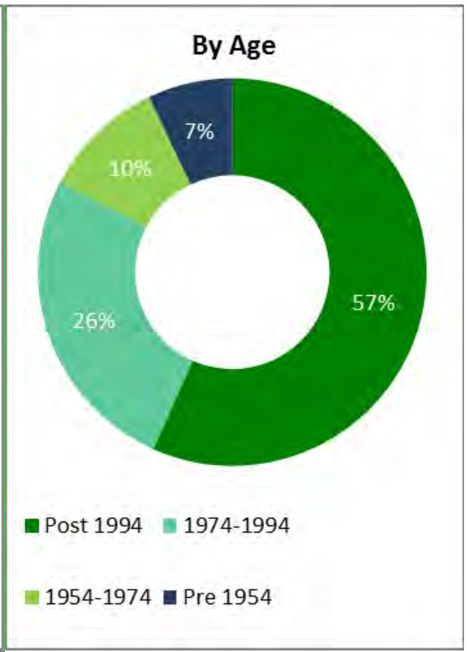
Charity's Areas of Operation (As at 31 March 2014)	**No. of Units**	***% of portfolio***
Dacorum	1,356	*30.63%*
St Albans	1,130	*25.53%*
Hertsmere	377	*8.52%*
Aylesbury Vale	315	*7.12%*
Watford	291	*6.57%*
Central Beds	198	*4.47%*
North Herts	188	*4.25%*
Broxbourne	129	*2.91%*
Three Rivers	109	*2.46%*
Stevenage	90	*2.03%*
Wycombe	86	*1.94%*
Chiltern	72	*1.63%*
East Herts	42	*0.95%*
Welwyn Hatfield	32	*0.72%*
LB Hillingdon	12	*0.27%*
Total	**4,427**	***100.0%***

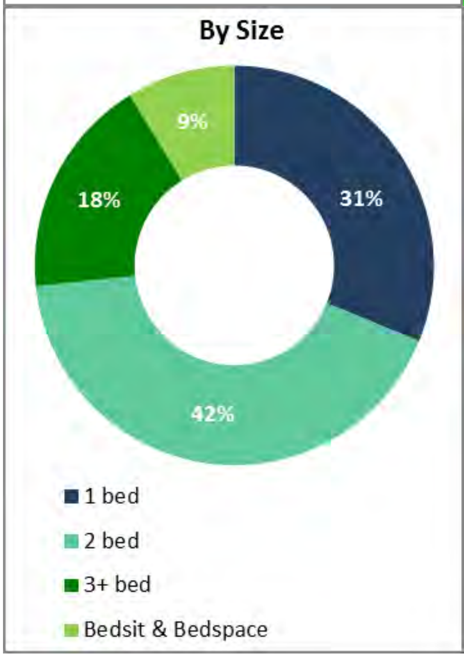
As at 31 March 2014, the Charity had a £410m property portfolio (at gross historic cost) which comprises mainly flats and houses, most of which have been acquired since 1974. In addition to the total number of units of 4,427, there are 6 sites held vacant for development.

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 2014).

	Flat	House	Room	Total
1 Bedroom	1,368	11	-	1,379
2 Bedrooms	1,466	399	-	1,865
3 Bedrooms	62	618	-	680
4 Bedrooms	-	111	-	111
Bedsit & Bedspaces	97	113	178	388
Other	4	-	-	12
Total	**2,997**	**1,252**	**178**	**4,427**







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
Donald Bell Chief Financial Officer *Chair of Finance Audit Committee*	Finance Manager for All Souls Charity	
Claire Blunt Finance Director and Business	Director of Finance, Caversham Finance Limited trading as	

Consultant	Brighthouse	
Oliver Burns Finance Director	Retired	
Philip Day Resident	Retired	
Brian Ellis Local Authority Elected Member *Co-opted Hightown Board member*	Local Authority Elected Member	
Carol Green Local Authority Elected Member *Co-opted Hightown Board member*	Local Authority Elected Member	
Cliff Hawkins Former Property Fund Manager and Chartered Surveyor *Chair of Development Committee*	Retired	Member of RICS UK and Ireland Regulatory Board
Tony Keen Former Business Consultant *Chairman of the Board*	Retired	
Frances Kneller Self-employed Housing Consultant		
Althea Mitcham Company Director and Performance Management Consultant	Director of Balanced Life Solutions	
Mary Pedlow Local Authority Director *Chair of Housing Scrutiny Committee*	Mental Health Act Managers' Manager for Herts Partnership Foundation NHS Trust	
Andrew Rose IT Director	IT Director for Lloyds Banking Group	Director of St Albans Enterprise Agency Limited
James Steel Commercial Consultant to Central Government	Crown Commercial Lead in the Efficiency & Reform Group at the Cabinet Office.	

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 2014 (the "**Annual Report**", see Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2014, 31 March 2013 and 31 March 2012*")) 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 2010. It also reported that the Charity complies with the principal recommendations of the NHF Excellence in Governance: Code for Members 2010, except in the number of Board members where the Charity considers that a larger Board is required for the effective business of the Charity and to provide for adequate succession planning.

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 six committees supporting the Board and governance arrangements are:

- ***Governance Committee:*** consists of the Chair and six other Board members and usually meets two or three times per year and when required. It reviews and makes recommendations to the Board on the governance of the Charity.
- ***Housing Scrutiny Committee:*** consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times per year. It monitors and reviews the services provided by the Charity to its general needs residents and others and reports back to the Board.
- ***Care and Supported Housing Committee:*** consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times per year. It monitors and reviews the services provided by the Charity to its care and supported housing residents and others and reports back to the Board.
- ***Development Committee:*** consists of a minimum of three Board members and up to six members in total and meets four times per year. It monitors and reviews the Charity's development strategy and programme and reports its conclusions and recommendations to the Board.
- ***Finance and Audit Committee:*** consists of a minimum of four Board members and up to six members and meets four times per year and when necessary. It monitors and reviews the financial operations and policies of the Charity. It considers the Charity's borrowing strategy, including principal terms of individual loans and reports back to the Board. 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.
- ***Remuneration Committee:*** consists of the Board Chair and Vice-Chairs, chairs of other committees, and up to two other Board members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the remuneration and conditions of service of the senior staff of the Charity and on the pay structure and key conditions of service of the 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 are 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 standard 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 Finance 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 who provides independent assurance to the Board, via its Finance and Audit Committee. The arrangements include a rigorous procedure, monitored by the Finance 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 East 7 Group, and • Chair of Hertfordshire Housing Association’s Chief Executive Group and Hertfordshire Housing Conference Ltd.
David Skinner	Director of Financial Services	• Fellow of Chartered Association of Certified Accountants, • Member of Association of Corporate Treasurers, and • Associate of University of Hertfordshire.
George Edkins	Director of Development	
Susan Wallis	Director of Operations	
Sheelagh Jones	Director of Care and Supported Housing	
Linda Middleton	Property and Commercial Director	
Mark Carter	Director of Systems and Processes	

Share Capital and Major Shareholders

As at 31 March 2014, the entire issued share capital of the Charity comprises 35 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.

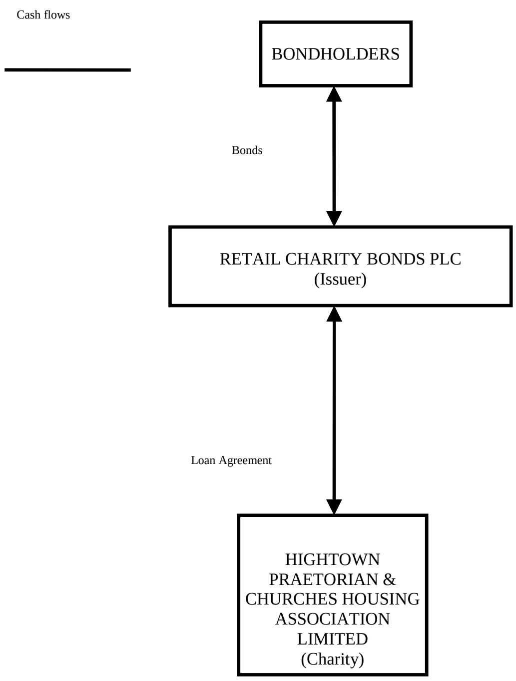
The full Terms and Conditions of the Bonds are contained in Appendix B (*"Terms and Conditions of the Bonds"*). It is important that you read the entirety of this Prospectus, including the Terms and Conditions of the Bonds, before deciding to invest in the Bonds. If you have any questions, you should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

INFORMATION ABOUT THE BONDS

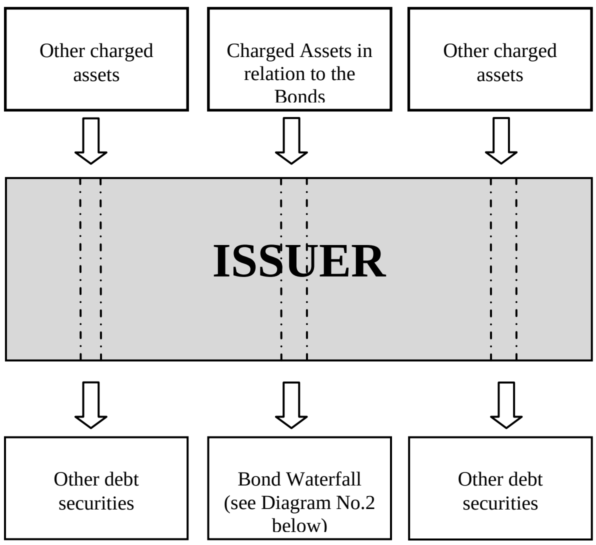
		Refer to
What is a bond?	A bond is a form of borrowing by a company seeking to raise funds from investors. The company that issues a bond promises to pay interest to each investor in the relevant bond periodically until the date when the relevant bond becomes repayable (usually on the specified maturity 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 Praetorian & Churches Housing Association Limited 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**") issued by Retail Charity Bonds PLC and secured on a loan (the "**Loan**") to Hightown Praetorian & Churches Housing Association Limited (the "**Charity**").	N/A
Who is issuing the Bonds?	The Bonds will be issued by Retail Charity Bonds PLC (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 described in this Prospectus will be loaned to the Charity by way of the Loan on the terms of a loan agreement (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 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 fulfill its obligations under*	Appendix B (*"Terms and Conditions of the Bonds"*) Section 7 (*"Description of Retail Charity Bonds PLC "*)

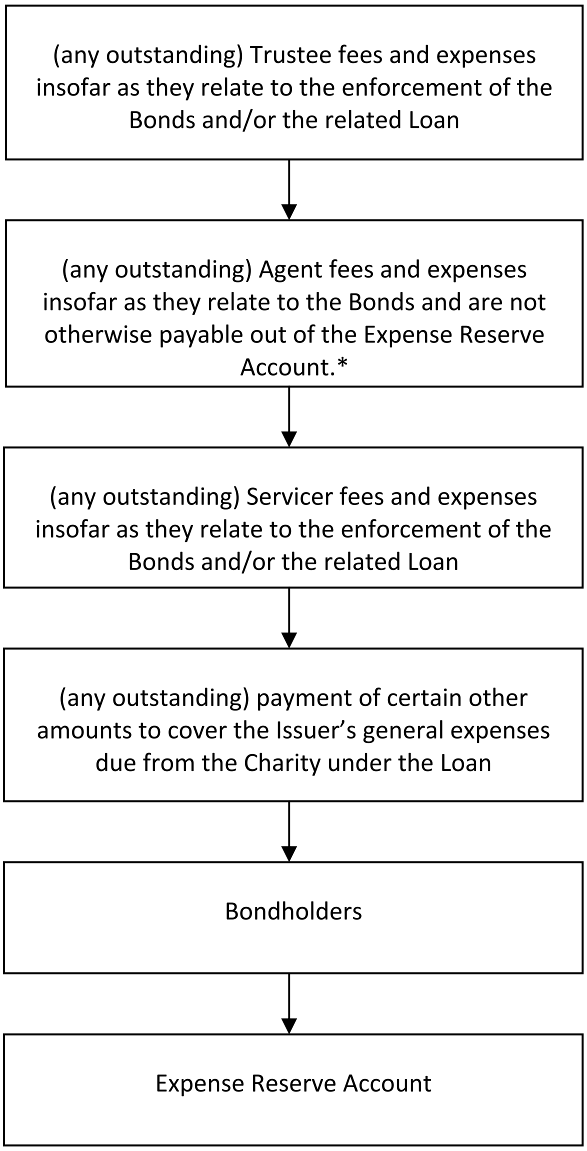
		Refer to
	the Bonds - The Issuer's only material assets corresponding to the Bonds will be its rights under the Loan Agreement and, accordingly, investors in the Bonds will take credit risk on the Charity").	
Why doesn't the Charity issue the Bonds directly?	There are various constraints on the Charity 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 Praetorian & Churches 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 4.4 per cent. per annum, subject to Condition 8; • have a nominal amount of £100 per Bond; • are scheduled to be redeemed on 30 April 2025, although if the Charity fails to repay the Loan on that date, redemption shall be deferred until 30 April 2027 without default. If the Charity fails to repay the Loan on 30 April 2025 and repayment is deferred until 30 April 2027, 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	Appendix B (*"Terms and Conditions of the Bonds"*)

		Refer to
	on 30 April 2025 or, if redemption is deferred, on 30 April 2027; • 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 its electronic Order book for Retail Bonds.	
What does it mean that the Bonds are "secured on a loan" to the Charity?	The proceeds from the issue of the Bonds will be lent by the Issuer to the Charity on the terms of the Loan Agreement. 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 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 Prudential Trustee Company Limited ("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. 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:	Appendix D (*"Loan Agreement"*)

		Refer to
	 Whilst the Issuer may, from time to time, issue other bonds and lend the proceeds of those issues to other charities, the only assets of the Issuer to which investors in the Bonds will have recourse if the Issuer fails to make payments in respect of the Bonds will be the Issuer's rights against the Charity under the Loan Agreement, the related rights under the issue documents in relation to the Loan. The holders of the Bonds will not have recourse to the other assets of the Issuer in connection with the other bond issues.	
Why are the Bonds being issued? What will the proceeds be used for?	The Charity will use the proceeds of the issue of the Bonds to further its charitable objects, 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 its electronic Order book for Retail Bonds. If this application is accepted, the Bonds are expected to commence trading on or around 1 May 2015. 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"*)

		Refer to
How will interest payments on the Bonds be funded?	Payments of interest by the Issuer in respect of the Bonds will be funded by the interest and principal which the Issuer receives from the Charity under the Loan. Payments of interest and principal due on the Loan and those due on the Bonds will be identical (save that payments of interest and principal under the Loan will be required to be paid two business days prior to each interest payment date or redemption date, as the case may be, on the Bonds, and subject to withholding 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 4.4 per cent. per annum. The yield of the Bonds is 4.4 per cent. per annum until the Expected Maturity Date (as defined below). Interest will be paid semi-annually in arrear on 30 April and 30 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 October 2015. Following the first payment, interest is expected to be paid on 30 April and 30 October in each year up to and including the date the Bonds are repaid.	Condition 8 (*"Interest"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
How is the amount of interest payable calculated?	The Issuer will pay a fixed rate of 4.4 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 30 April 2015, for instance, you will receive £2.20 on 30 October 2015 and £2.20 on 30 April 2016, 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 4.4 per cent. on an annual basis until 30 April 2025. This initial yield is not an indication of future yield.	N/A

		Refer to
What will the Bondholders receive in a winding up of the Issuer?	The Issuer has been established for the purpose of issuing asset-backed securities, which means that the risk of its entering into insolvency proceedings is low, even if the Charity fails to make payments on the Loan thereby preventing the Issuer from making payments on the Bonds. If the Issuer does become insolvent, it does not have any other financial or trade creditors which would rank ahead of the Bondholders (other than as contemplated under the Issuance Facility Documents(as defined in Appendix B ("*Terms and Conditions of the Bonds*")). There is, however, no assurance that the Issuer's continued solvency will mean the Issuer can meet its payment and other obligations in respect of the Bonds. If the Charity does not meet its obligations under the Loan Agreement resulting in the occurrence of an Event of Default under the Terms and Conditions of the Bonds, the Trustee shall be responsible for accelerating the Loan (which means that it becomes due and payable). The Trustee will be responsible for taking such steps as it in its absolute discretion considers appropriate in an attempt to ensure the payment of the outstanding sum and, if necessary, (acting on the instructions of Bondholders) shall take action against the Charity to enforce the Issuer's rights under the Loan Agreement (see Diagram no. 2 (*Bond Waterfall*) below). However, the Trustee will not be bound to take any such enforcement action unless it has been indemnified and/or secured to its satisfaction. The obligations of the Issuer to the Bondholders in respect of the Bonds are limited in recourse to certain Charged Assets (being, in general terms, the Issuer's rights under the Loan Agreement and certain related rights under the Issuance Facility Documents), which means that the holders of the Bonds will not have recourse 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*)** 	Section 7 (*"Description of Retail Charity Bonds PLC"*)

		Refer to
	In a post enforcement scenario, i.e. if the Trustee (acting on the instructions of the Bondholders) takes enforcement action in relation to the Charged Assets, monies received will be used to make payments to the following parties in the order of priority below: **Diagram no. 2 (*Bond Waterfall*)**  * See "Summary of the Servicer" below. Further information is contained in the detailed provisions of Condition 6.2 ("*Post-Enforcement*") of Appendix B ("*Terms and Conditions of the Bonds*").	
Will the Bonds be rated by a credit rating agency?	No. Neither the Bonds nor the Issuer is rated by a credit rating agency, and the Issuer does not intend to seek a credit rating for the Bonds.	N/A
When will the	The Bonds are scheduled to be redeemed at 100 per cent. of their	Condition 10

		Refer to
Bonds be repaid?	nominal amount on 30 April 2025 (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 30 April 2027 (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.	(*"Redemption and Purchase"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
Do the Bonds have voting rights?	Bondholders have certain rights to vote at meetings of Bondholders, but are not entitled to vote at any meeting of shareholders of the Issuer.	Condition 17 (*"Meetings of Bondholders, Modification and Waiver"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
Who will represent the interests of the Bondholders?	The Trustee is appointed to act on behalf of the Bondholders as an intermediary between Bondholders and the Issuer throughout the life of the Bonds. The main obligations of the Issuer (such as the obligation to pay and observe the various covenants in the Terms and Conditions of the Bonds) are owed to the Trustee. These obligations are enforceable by the Trustee only, not the Bondholders themselves. Although the entity chosen to act as the Trustee is chosen and appointed by the Issuer, the Trustee must act in the interests of the Bondholders in accordance with the terms of the Trust Deed.	Appendix B (*"Terms and Conditions of the Bonds"*)
Can the Terms and Conditions of the Bonds be amended?	The Terms and Conditions of the Bonds provide that the Trustee may agree to: (a) any modification of any of the provisions of the Trust Deed that is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error (which is an error that is clear, plain and obvious) or an error which, in the opinion of the Trustee, is proven; (b) waive, modify or authorise a proposed breach by the Issuer of a provision of the Trust Deed or the Terms and Conditions of the Bonds if, in the opinion of the Trustee, such modification is not prejudicial to the interests of the Bondholders. The Trustee can agree to any such changes without obtaining the consent of any of the Bondholders. Bondholders may also sanction a modification of the Terms and Conditions of the Bonds by passing an Extraordinary Resolution.	Condition 17 (*"Meetings of Bondholders, Modification and Waiver"*) of Appendix B (*"Terms and Conditions of the Bonds"*)
How do I apply for Bonds?	Details on how to apply for the Bonds are set out in Section 5 (*"How to Apply for the Bonds"*).	Section 5 (*"How to Apply for the Bonds"*)

		Refer to
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 sterling denominated 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**"), cannot be made directly to Retail Charity Bonds PLC (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, Hightown Praetorian & Churches Housing Association Limited (the "**Charity**"), Allia Bond Services Ltd. (the "**Servicer**"), Canaccord Genuity Limited (the "**Manager**") or Prudential Trustee Company Limited ("the **Trustee**") is party to such arrangements between you and the relevant authorised offeror (each an "**Authorised Offeror**", being a person to whom the Issuer and, as applicable, the Charity have given their consent to use this prospectus in accordance with Article 3.2 of the Prospectus Directive (Directive 2003/71/EC)). You must therefore obtain this information from the relevant Authorised Offeror. Because they are not party to the dealings you may have with the Authorised Offeror, the Issuer, the Charity, the Servicer, the Manager and the Trustee will have no responsibility to you for any information provided to you by the Authorised Offeror.
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 31 March 2015 to 12.00 noon (London time) on 27 April 2015, 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 April 2015 (the "**Subscription Agreement**"), (ii) a commitment agreement being signed by the Issuer, the Manager, the Servicer and the Charity on or about 27 April 2015; and (iii) the loan agreement to be dated the date of issue of the Bonds (the "**Loan Agreement**") being signed by the Issuer and the Charity on or about 30 April 2015. 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 will be made public in an issue size announcement published by the Issuer on a Regulatory Information Service (the "**Issue Size Announcement**"), which will be published prior to 30 April 2015 (the "**Issue Date**"). The Issue Size Announcement is currently expected to be made on or around 27 April 2015.
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 document (the "**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: Canaccord Genuity Limited 88 Wood Street London EC2V 7QR iDealing.com Limited 114 Middlesex Street London E1 7HY Interactive Investor Standon House 21 Mansell Street London E1 8AA Redmayne Bentley LLP 9 Bond Court Leeds LS1 2J 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?	Canaccord Genuity Limited will be appointed as a registered market-maker through the London Stock Exchange's electronic Order book for Retail Bonds 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 practice (which may not be binding on HM Revenue & Customs) 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

Payments of interest on the Bonds

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). 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 remain so listed, interest on the Bonds will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs ("**HMRC**") has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Bondholder, 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).

Where Bonds are to be, or may fall to be, redeemed at a premium as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest that would be subject to the rules on United Kingdom withholding tax outlined above and reporting requirements as outlined below.

Bondholders who are either individuals or 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.

However, 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 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 non-United Kingdom resident Bondholders where Bonds are used, held or acquired for the purposes of a trade carried on in the United Kingdom through a permanent establishment) 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 statutory accounting treatment.

C. Other United Kingdom Tax Payers

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 Act, 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 date the Bonds are first held under 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 ITA. 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 £15,000 (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. Information Reporting

Information relating to securities may be required to be provided to HMRC in certain circumstances. This may include THE value of the Bonds, details of the beneficial owners of the Bonds (or the persons for whom the Bonds are held), details of the persons to whom payments derived from the Bonds are or may be paid and information and documents in connection with transactions relating to the Bonds. Information may be required to be provided by, amongst others, the holders of the Bonds, persons by (or via) whom payments derived from the Bonds are made or who receive (or would be entitled to receive) such payments, persons who effect or are a party to transactions relating to the Bonds on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be provided to tax authorities in other countries.

F. EU Savings Directive

Under Council Directive 2003/48/EC ("the **Savings Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in its jurisdiction to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in that other Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the Savings Directive requirements described above (the "**Amending Directive**"). The Amending Directive requires Member States to apply these new requirements from 1 January 2017, and if they were to take effect the changes would expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities and the circumstances in which payments must be reported or paid subject to withholding would be expanded. For example, payments made to (or for the benefit of) (i) an equity or legal arrangement effectively managed in a Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the European Union (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefits an individual resident in a Member State, would fall within the scope of the Savings Directive, as amended.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

G. US Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended ("**FATCA**") impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-US financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI"** by entering into an agreement with the US Internal Revenue Service ("**IRS"**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a US person or should otherwise be treated as holding a "US account" of the Issuer (a "**Recalcitrant Holder"**). The Issuer may be classified as an FFI.

The new withholding regime is now in effect for payments from sources within the US and will apply to "**foreign passthru payments"** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any obligations characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for US federal tax purposes that are issued after the "**grandfathering date"**, which is the date that is six months after the date on which final US Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) obligations characterized as equity or which do not have a fixed term for US federal tax purposes, whenever issued.

The US and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA"**). An FFI in an IGA jurisdiction may be required to identify and report to the government of the United States or another relevant jurisdiction certain information regarding "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

The application of FATCA to interest, principal or other amounts paid with respect to the Bonds and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including the United Kingdom) have entered into, or have announced their intention to enter into, IGAs with the United States. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on "foreign passthru payments" (which may include payments on the Bonds) or if such withholding will be required at all.

Whilst the Bonds are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Issuer, any paying agent and the clearing systems, given that each of the entities in the payment chain beginning with the paying agent and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Bonds. The documentation expressly contemplates the possibility that the Bonds may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive Bonds will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Bonds.

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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

Retail Charity Bonds PLC (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 an entity which has been established 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 a non-executive director on the boards of a number of financial services companies, including UK Asset Resolution, UBS Limited, CCLA Investment Management, and Raphael's Bank, and is also Chair of two Charities and a trustee of two others. He is also Chair of the Board of the Gibraltar Financial Services Commission and a non-stipendiary priest in the Church of England.
Gordon D'Silva OBE	Gordon D'Silva is the Founder and Director of Good Business Alliance and Legacy Casa Residencia, a corporate leadership residential bootcamp in Italy. He is Chair of the Enterprise Foundation and honorary President of the Young Entrepreneurs Lab Network also in Italy. Gordon has been the founder and CEO of numerous social innovation start up businesses over the last 30 years. In 2011 he was awarded with the Order of the British Empire for his contributions to social enterprise. He also holds an Honorary Doctorate from West London University and was

	appointed as Visiting Professor in 2006 at the University of Northampton.
Arvinda Gohil	Arvinda Gohil is the Chief Executive of the homeless charity Emmaus UK.
Tom Hackett	Tom Hackett is a member of the board of trustees of a number of UK charities and a visiting professor at UCL London.
Tim Jones	Tim Jones is Secretary and Chief Executive of Allia Bond Services Ltd.. He is also Chairman and non-executive director of Treatt plc, a quoted global flavour and fragrance supplier with manufacturing operations in UK, USA and Kenya and a non-executive director and trustee of SkillsBridge, an organisation bringing support to voluntary and community sector organisations in the North East of England.
Geetha Rabindrakumar	Geetha Rabindrakumar works for Big Society Capital, an independent financial institution with a social mission, working to grow the social investment market. She leads Big Society Capital’s engagement with the charity and social enterprise sector.
Clare Thompson	Clare Thompson is a non-executive director of 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 vice chairman and a non-executive director of Barts Health. He is also Chairman of Digital Theatre, a Council member of Goldsmiths College, Chairman of Beyond Food Foundation and a trustee 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 Allia Bond Services Ltd. (the “**Servicer**”) and is an employee of Allia Ltd. and Philip Wright is a director of Allia Ltd. and the Servicer. 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., an Industrial and Provident Society, registered under the Industrial and Provident Act 1965, whose registered address is at Future Business Centre, King's Hedges Road, Cambridge, CB4 2HY and with registered number IP28861R 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).

The Issuer's audited financial statements for the period ended 31 August 2014 (the "**Issuer's Accounts**"), which have been filed with the Financial Conduct Authority and are incorporated in, and form part of, this document (the "**Prospectus**"). Any documents themselves incorporated by reference in the Issuer's Accounts shall not form part of this Prospectus. Copies of the Issuer's Accounts can be viewed electronically and free of charge on the website of the Issuer (http://www.retailcharitybonds.co.uk/about/#Governance) and obtained from the registered office of the Issuer and from the specified office of the paying agent for the time being in London.

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DESCRIPTION OF THE SERVICER

This section sets out information about the Servicer.

DESCRIPTION OF THE SERVICER

Retail Charity Bonds PLC (the "**Issuer**") contracts with Allia Bond Services Ltd. (the "**Servicer**") to provide certain services in relation to the loan and the sterling denominated 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**"). These services include, in particular, liaising with Hightown Praetorian & Churches Housing Association Limited (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 (the "**Loan Agreement**") 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 fulfill 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, an Industrial and Provident Society for the benefit of the community (registered number IP28861R) with exempt charity status.

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 (the "**Services Agreement**"). 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 Prudential Trustee Company Limited (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 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 Issue")*.

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:

h) 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;

i) files a petition in bankruptcy or makes an assignment for the benefit of its creditors;

j) is unable to pay or meet its debts as they fall due or suspend payment of its debts;

k) consents to the appointment of an insolvency official or it enters an insolvency process; or

l) 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 Issuers ability to fulfill 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 a subscription agreement expected to be dated on or about 27 April 2015 (the "**Subscription Agreement**"), Canaccord Genuity Limited (the "**Manager**") is expected to agree to procure subscribers for the sterling denominated 4.4 per cent. Bonds due 30 April 2025 (the "**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 0.5 per cent. of the nominal amount of the 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 allotted to them (payable out of the fee paid to the Manager). Retail Charity Bonds PLC (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 31 March 2015 to 12.00 noon (London time) on 24 March 2015 on the basis of this document (the "**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 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 Prudential Trustee Company Limited (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 sterling denominated 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**") has been duly authorised by a resolution of the board of directors of Retail Charity Bonds PLC (the "**Issuer**") dated 9 March 2015.

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 the London Stock Exchange's electronic Order book for Retail Bonds (the "**ORB**")) on or around 1 May 2015, 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 will be advanced by the Issuer to Hightown Praetorian & Churches Housing Association Limited (the "**Charity**") under the loan agreement to be dated the date of issue of the Bonds (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. The estimated proceeds and the amount of the loan to be advanced on 30 April 2015 (the "**Issue Date**") will be published in the Issue Size Announcement published by the Issuer on a Regulatory Information Service (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 4.4 per cent. per annum until 30 April 2025. The yield is calculated at the Issue Date on the basis of the issue price of 100 per cent. (the "**Issue Price**"), using the formula below. It is not an indication of future yield.

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

where:

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

"**C**" is the annualised interest amount;

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

"**n**" is time to maturity in years; and

"**r**" is the annualised yield.

Documents Available

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

(a) the constitutional documents of the Issuer;

(b) the most recently published audited annual financial statements of the Issuer (if any) and the Charity together with any audit or review reports prepared in connection therewith;

(c) the Issuance Facility Agreement dated 26 June 2014, the 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 April 2015; 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 XS1200788369 and the Common Code for the Bonds is 120078836.

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 the issuance of 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 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 relating to the market generally - Risks relating to holding interests in the Bonds through CREST Depository Interests*").

Material or Significant Change

There has been no material adverse change in the financial position or prospects of the Issuer since 31 August 2014.

There has been no significant change in the financial or trading position of the Charity since 31 March 2014 and there has been no material adverse change in the prospects of the Charity since 31 March 2014.

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 Baker Tilly 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 three month period ended 31 August 2014. The auditors of the Issuer have no material interest in the Issuer.

Baker Tilly UK Audit LLP has given its written consent to the incorporation by reference in this Prospectus of its audit report in respect of the Issuer's audited financial statements for the period ended 31 August 2014, in the form and context in which it is incorporated and has authorised the contents of such report.

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 year ended on 31 March 2014. The previous auditors of the Charity were Baker Tilly UK Audit LLP, who 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 2013 and 31 March 2012. The financial statements in Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2014, 31 March 2013 and 31 March 2012*") comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Direction for Social Housing from April 2012.

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 30 April 2015 (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 2.

Managers transacting with the Issuer and the Charity

Canaccord Genuity Limited 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 (the "**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

Retail Charity Bonds PLC (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, Hightown Praetorian & Churches Housing Association Limited (the "**Charity**") accepts responsibility for the information contained in Sections 1 ("*Summary*") (in so far as the information relates to the Charity only), 2 ("*Risk Factors - Factors that may affect the Charity's ability to fulfil its obligations under the Loan Agreement*") and 3 ("*Description of the Charity"*), the information relating to it under the headings "*Material or Significant Change"* and *"Litigation"* in Section 10 ("*Additional Information*") and Appendix E ("*Charity Annual Report and Accounts for the Years Ended 31 March 2014, 31 March 2013 and 31 March 2012*"). 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 Canaccord Genuity Limited (the "**Manager**"), the Charity (save as indicated above), Allia Bond Services Ltd. (the "**Servicer**"), Prudential Trustee Company Limited (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 sterling denominated 4.4 per cent. Bonds due 30 April 2025 (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, iDealing.com Limited, Interactive Investor or Redmayne Bentley LLP; or
- named on the Issuer's website (http://www.retailcharitybonds.co.uk/bonds/hpcha) 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 31 March 2015 to 12.00 noon (London time) on 27 April 2015 (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 31 March 2015 to 12.00 noon (London time) on 27 April 2015 (the "**Offer Period**").

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 (Specific 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;
- iDealing.com Limited;
- Interactive Investor ;
- 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/hpcha) 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 4.4 per cent. Bonds due 30 April 2025 (the "**Bonds**") described in the Prospectus dated 31 March 2015 (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 30 April 2015 (the "**Supplemental Trust Deed**"), in each case made between the Issuer and Prudential Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee). The Master Trust Deed as supplemented by the Supplemental Trust Deed, and as further modified and/or supplemented and/or restated from time to time in respect of the Bonds, is referred to in these Conditions as the "**Trust Deed**".

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

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

(b) such Global Bond.

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

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

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

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

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

1. DEFINITIONS

In these Conditions:

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

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

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

"**Administration Services Provider**" means Allia Bond Services 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 Praetorian & Churches 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;

"**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 30 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 30 April 2015;

"**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 Bond Services 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 Bond Services 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;

"**Secured Parties**" means the Trustee (for itself and the Bondholders), 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 S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearsream, 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 2as 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.

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 may be 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 the Paying and Transfer Agents (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 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 4.4 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 £2.20 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 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 on such Interest Payment Date.

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 return.

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 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 approach 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 30 April 2025 (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.

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 is unable to pay in full the amount of principal otherwise due on the Loan on the Expected Maturity Date (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 30 April 2027 (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.

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).

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.

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 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 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;

(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; and

(c) there will at all times be a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

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. 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, 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, 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. 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 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, 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

This section contains the Loan Agreement that will be entered into between the Issuer and the Charity for the purposes of recording the Loan by the Issuer to the Charity of the proceeds of issue of the Bonds and the repayment of principal and payment of interest by the Charity in respect of such Loan.

LOAN AGREEMENT

THIS AGREEMENT is dated 30 April 2015 and is made

BETWEEN:

(1) **HIGHTOWN PRAETORIAN & CHURCHES 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:

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

"**Arrangement Fee**" means the sum of the following:

(a) an amount per annum equal to 0.1% of the Outstanding Balance on the Issue Date (as may be adjusted by the Lender in accordance with Clause 3.1.2); 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 by the Lender before, on or around the Issue Date, 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 (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 or any stock exchange.

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

"**Bonds**" means the 4.4% Bonds due 30 April 2025 issued by the Lender on the Issue Date;

"**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 [PRINCIPAL AMOUNT];

"**Commitment Agreement**" means the commitment agreement entered into between, among others, the Lender and the Charity dated on or around 27 April 2015;

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

"**Conditions**" means the terms and conditions of the Bonds as set out in Schedule 1 (Form of Compliance Certificate) to the Trust Deed;

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

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

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

"**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 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) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

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

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

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

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

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

"**Initial Rate of Loan Interest**" has the meaning giving to it in Clause 3.2.1;

"**Interest Payment Date**" means 30 April and 30 October in each year commencing on 30 October 2015 up to and including the Expected Maturity Date or, if the Loan is not repaid in full pursuant to the terms of Clause 4.1 (*Repayment on Expected Maturity Date*), the Legal Maturity Date;

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

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

"**Loan Management Servicer**" means Allia Bond Services Limited;

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

"**Outstanding Balance**" means the initial principal 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;

"**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;

"**Prospectus**" means the prospectus dated 31 March 2015 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 3.2.1;

"**Security**" means a mortgage, charge, pledge, lien 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;

"**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);

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

"**Trustee**" means Prudential Trustee Company Limited;

"**UK**" means the United Kingdom; 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:

1.2.1 references to a statute or statutory provision include that statute or provision as from time to time modified, re-enacted or consolidated;

1.2.2 use of the singular shall include the plural and vice versa;

1.2.3 headings are for ease of reference only and shall be ignored in interpreting this Agreement;

1.2.4 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;

1.2.5 the words "include" and "including" are to be construed without limitation;

1.2.6 a reference to a "judgment" includes any order, injunction, determination, award or other judicial or arbitral measure in any jurisdiction; and

1.2.7 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 advance a loan in an aggregate amount equal to the Commitment (subject to Clause 3.1 (*Fees*) and as from time to time reduced by prepayments in accordance with the terms hereof, the "**Loan**") on the Issue Date.

2.2 **Purpose:** The Charity shall apply all amounts raised by it under the Loan for purposes which are charitable under English law.

3 Pricing

3.1 Fees

3.1.1 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 Loan 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.

3.1.2 On or after the first anniversary of the Issue Date, the Lender may adjust the amount set out in paragraph (a) of the definition of Arrangement Fee applicable from the next Interest Payment Date by notice in writing to the Charity on or about 31 August of each year with any percentage increase not exceeding the amount of percentage increase in the United Kingdom Retail Price Index for such year.

3.1.3 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) of the definition of Arrangement Fee, to the extent such amounts are then due and payable.

3.1.4 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

3.2.1 Interest Rate:

(a) Following its advance, 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**").

(b) 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**").

3.2.2 Interest Payment Dates:

(a) 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.

(b) The amount of interest payable by the Charity in respect of the Outstanding Balance of the Loan 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 of the Loan 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).

(c) 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 relevant principal amount of the Loan.

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 10:00 a.m. on the Business Day falling two Business Days prior to their becoming due.

4 Repayment

4.1 Repayment on Expected Maturity Date

Subject to sub-clause 4.2 (*Repayment on Legal Maturity Date*) and unless previously repaid pursuant to Clause 5 (*Prepayment*), the Charity must repay the Loan 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 full amount of the Loan 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 10:00 a.m. on the Business Day falling two Business Days prior to their becoming due.

5 Prepayment

5.1 **Optional Prepayment:** The Loan 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 prepayment of the Loan 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 Loan 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 Loan 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.

6 Taxes

6.1 The Charity shall make all payments made by it under this Agreement without any withholding or deduction unless required by 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:

6.3.1

(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

6.3.2 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

8.2.1 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.

8.2.2 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

8.4.1 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.

8.4.2 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 the anniversary of the Issue Date substantially in the form of Schedule 2 (*Form of Annual Statement on Social Impact*) to this Agreement.

9 Financial Covenants

9.1 Financial Condition

9.1.1 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;

9.1.2 If at any time the terms of any of the Charity's unsecured and unsubordinated debt or any refinancing thereof (a "**Relevant Credit Facility**") contains a Financial Covenant and such Financial Covenant is not contained in this Agreement and would be more beneficial to the Lender than any analogous covenant in this Agreement, in each case whether existing on the date hereof or incorporated into this Agreement pursuant to this Clause 9.1.2, 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 9.1.2 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 10 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.

9.1.3 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.

9.1.4 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 9.1.2) 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 GAAP (and SORP) applicable to the Financial Statements and shall be expressed in pounds sterling.

9.4 Definitions

In this Clause 9:

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

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

"**Financial Statements**" means the audited financial statements of the Charity or, if applicable, the audited consolidated financial statements of the Group;

"**Uncharged Property Value**" means the value of the Group's Unencumbered Properties, Investments and Stocks & Work in Progress;

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

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

"**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;

"**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; and

"**Investments and Stock & Work In Progress**" means the amounts described as investments, stock and work in progress (or equivalent) as determined from the most recent Financial Statements.

10 Events of Default

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

10.1.1 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*));

10.1.2 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;

10.1.3 any requirement of Clause 9 (*Financial Covenants*) is not satisfied;

10.1.4 the Charity ceases to have charitable status under English law;

10.1.5 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;

10.1.6 any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Charity and is not discharged within 10 days;

10.1.7 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;

10.1.8 the value of the assets of the Charity is less than its liabilities (taking into account contingent and prospective liabilities);

10.1.9 a moratorium is declared in respect of any indebtedness of the Charity;

10.1.10 it is or becomes unlawful for the Charity to perform any of its obligations under the Commitment Agreement or this Agreement;

10.1.11 the Charity repudiates this Agreement or evidences an intention to repudiate this Agreement;

10.1.12 in relation to any Financial Indebtedness of the Charity:

(a) 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

(b) 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 10.1.12 if the aggregate amount of Financial Indebtedness falling within paragraphs (a) and (b) above is less than £3,000,000 (or its equivalent in any other currency or currencies);

10.1.13 Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(a) 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;

(b) a composition, compromise, assignment or arrangement with any creditor of the Charity;

(c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Charity; or

(d) enforcement of any Security over any assets of any member of the Charity; or

(e) 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:

10.2.1 declare that all or part of the Loan, 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

10.2.2 declare that all or part of the Loan 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:

12.1.1 *first*, in payment or satisfaction of any amounts of Arrangement Fee due under this Agreement;

12.1.2 *secondly*, in payment or satisfaction of interest due and payable in respect of the Loan;

12.1.3 *thirdly*, in payment or satisfaction of principal due and payable in respect of the Loan; and

12.1.4 *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 Bond Services Limited
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 Bond Services Limited as Loan Management Servicer

From: Hightown Praetorian & Churches Housing Association Limited (the "**Charity**")

Dated: [ ]

Dear Sirs

Hightown Praetorian & Churches Housing Association Limited – Loan dated [__] (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, 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: ………………

Director
of
Hightown Praetorian & Churches Housing Association Limited

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

SCHEDULE 2

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

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?

Signatories

The Charity

HIGHTOWN PRAETORIAN & CHURCHES HOUSING ASSOCIATION LIMITED

Address:	Hightown House Maylands Avenue Hemel Hempstead Herts HP2 4XH
Email:	David Skinner
Attention:	david.skinner@HPCHA.org.uk

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 ANNUAL REPORT AND ACCOUNTS FOR THE YEARS ENDED 31 MARCH 2014, 31 MARCH 2013 AND 31 MARCH 2012

This section contains the Charity's annual report and accounts for the years ended 31 March 2014, 31 March 2013 and 31 March 2012

Hightown Praetorian & Churches
Housing Association

Hightown Praetorian and Churches Housing Association Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2014

Industrial and Provident Society Registration No. 18077R
Homes and Communities Agency Registration No. L2179

CONTENTS

PURPOSE AND DIRECTION

MISSION

To provide high quality affordable housing, support and services for people in housing need.

VISION

To retain Hightown Praetorian and Churches Housing Association's position as a highly regarded regional developer and manager of housing and support services.

VALUES

- **OUR RESIDENTS AND PEOPLE USING OUR SERVICES COME FIRST**.
  We aim to meet their individual and collective expectations through effective consultation and involvement and regular service reviews.

- **WE TREAT PEOPLE WITH RESPECT**.
  We value diversity and provide services and support in a way which promotes independence and choice.

- **WE VALUE OUR STAFF**.
  We seek to support their personal development so as to improve the services we provide.

- **WE PROVIDE COST EFFECTIVE SERVICES** without compromising standards or safety.

- **WE SEEK AND VALUE INPUT FROM OUR PARTNERS AND STAKEHOLDERS**.
  We develop homes and services to meet shared objectives and responsibilities.

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board:

Chair	Mike Bailey, CBE	
Vice Chairs	Tony Keen	(from 3/10/2013)
	Mary Pedlow	
	Andrew Rose	(until 11/09/2013)
Other Elected Members	Donald Bell	Peter Fix
	Monica Cashman	Cliff Hawkins (from 11/09/13)
	Philip Day	Frances Kneller (from 11/09/2013)
	Mohamed Fawzi (until 11/09/2013)	Althea Mitcham
		Richard Ronald
Co-opted Members under rule D5	Brian Ellis	
	Carol Green	
	Claire Blunt (from 01/01/2014)	
	Oliver Burns (from 01/01/2014)	
	James Steel (from 01/01/2014)	

Executive Directors:

Chief Executive	David Bogle
Secretary	David Skinner
Director of Business Development	George Edkins
Director of Care & Supported Housing	Sheelagh Jones
Director of Financial Services	David Skinner
Director of Operations	Susan Wallis
Director of Systems & Processes	Mark Carter

Registered Office:

Hightown House
Maylands Avenue
Hemel Hempstead
Herts HP2 4XH

External Auditor: BDO LLP , 55 Baker Street, London, W1U 7EU

Principal Solicitors:

Manches LLP
9400 Garsington Road
Oxford Business Park
Oxford OX4 2HN

Winckworth Sherwood LLP
Minerva House
5 Montague Close
London SE1 9BB

Principal Bankers:

Lloyds Bank Plc
Public & Community Sector
25 Gresham Street
London
EC2V 7HN

Registered as a charitable social landlord under the Industrial and Provident Societies Acts No.18077R.

Registered as a Registered Provider with the Homes and Communities Agency No. L2179.

Hightown Praetorian and Churches Housing Association Limited

FOUR YEAR FINANCIAL SUMMARY

For the year ended 31 March	2014 £'000	2013 £'000	2012 £'000	2011 £'000
ASSOCIATION INCOME AND EXPENDITURE				
Turnover from continuing activities	45,296	43,671	33,339	31,830
Operating surplus	14,367	11,571	8,220	7,050
Surplus for the year before transfers	9,538	6,691	4,668	4,306
ASSOCIATION BALANCE SHEET				
Housing Properties at cost less depreciation	390,920	361,092	339,986	293,610
SHG and other capital grants	142,419	139,602	136,142	128,156
Total debt	212,148	189,026	178,393	161,026
Reserves	53,209	43,568	37,026	31,997
ACCOMMODATION FIGURES				
	No.	No.	No.	No.
Total housing stock owned at year end :				
General Needs – units	2,602	2,505	2,234	2,071
Leasehold and shared ownership – units	1,164	1,105	971	951
Supported Housing & Care Home – bed spaces	667	678	688	618
Total	4,433	4,288	3,893	3,640
RATIOS AND STATISTICS				
Operating surplus as % of turnover	31.7%	26.5%	24.7%	22.2%
Surplus for the year before transfers as % of turnover	21.1%	15.3%	14.0%	13.5%
Return on Capital Employed (net surplus divided by average capital employed in year)	3.8%	3.0%	2.3%	2.6%
Interest cover (Operating surplus, interest receivable, and housing property depreciation divided by interest payable plus capitalised interest)	287%	237%	196%	254%
Gearing (total loans as % of housing properties at cost)	51.8%	49.6%	50.4%	52.8%
Adjusted Gearing (total loans less cash as % of housing properties at cost)	48.0%	48.4%	48.1%	43.8%

CHAIRMAN'S STATEMENT

For the year ended 31 March 2014

I am pleased to be able report on another successful year for Hightown.

I am most grateful to everyone who has helped the Association during the year including our staff, our funders, the local authorities we work with and my fellow Board members, who all give time voluntarily. On behalf of the Board, I would like to thank Mohamed Fawzi and Andrew Rose, who stood down last year, for their contributions to the Association's success. The Board were pleased to welcome three new members to the Board this year: Claire Blunt, Oliver Burns and James Steel.

Hightown has delivered again a good set of financial results which enables us to fund a sizeable proportion of our target development programme of 300 new affordable homes each year without having to borrow. In addition, we have maintained or improved our performance in terms of the delivery of services to our residents, our service users and our housing estates.

This is my last year as Chairman of Hightown. Under our rules, Board members may only serve a maximum of three terms of three years in total. I joined the Board in 2005 and was elected Chairman in 2006 so my nine years are up this September. I am pleased to say that the Board has agreed that Tony Keen, who joined the Board in 2010, is to be the Chairman elect.

This is therefore an opportunity for me to offer some thoughts on my time with Hightown.

The main reason that led me to respond to the advertisement for Board members in 2005 was that Hightown is not a "run of the mill" housing association specialising in this or that area.

We provide a whole range of what are broadly called "housing services". Homes of course, but also those essential services that offer care and support as well as a place to live to some of the very vulnerable members of society

During my time on the Board I have been very pleased to visit our various projects. It enables me to meet staff on our estates and at our care and supported housing schemes as well as residents and service users. These visits also provide me with the opportunity to see what Hightown is doing on the ground and to learn about the challenges faced by our staff - a recent example of which is the 'sink hole' that appeared on one of our estates in Hemel Hempstead (see the Annual Report).

Over the past 9 years we have grown considerably, building on the success of the past, from an annual turnover of £17 million and 2,500 properties to an annual turnover of £48 million and 4,400 properties.

We have very strong governance arrangements in place, verified by the Homes and Communities Agency, including robust succession planning arrangements for Board membership to ensure ongoing stability and the skills required to lead a successful housing association. There are regular reviews of the strategic direction of the Association.

But as I look back I am most proud of the many different and challenging ways in which Hightown helps make peoples' lives better. Our reputation among stakeholders is very high. We do what we promise to do and that is very much appreciated.

Finally, some thoughts about the future for Hightown.

In the world in which we live nothing stays the same for long. Change is constant and demanding. The environment in which Hightown and other housing associations operate will inevitably evolve and this may not always be comfortable.

There will inevitably be a continuing downward pressure on budgets. The continuing impact of the welfare changes, not to mention any changes for the sector following the General Election next year.

Given Hightown's track record I am sure it will respond successfully to the challenges ahead and that importantly it will always do so in the spirit of our culture and ethos of helping and supporting those who need and rely on the services Hightown provides.

It has been my great privilege to serve on the Hightown Board.

Mike Bailey CBE
Chairman
3 July 2014

The Board presents its report and audited financial statements for the year ended 31 March 2014

Principal activities

Hightown Praetorian and Churches Housing Association Limited ('the Association') is a not-for-profit organisation administered by a voluntary Board. The Association operates principally in Hertfordshire and Buckinghamshire. The Association's principal activities are the development and management of social housing, supported housing, care homes and nursing homes.

Performance for the year

Turnover increased by £1.6 million (2013: £10.3 million) on 2012/13 and the Board is pleased to report that the Association has continued to meet its financial targets. By the year-end the Association's reserves stood at £53.2 million (2013: £43.6 million).

The Association spent £39.6 million (2013: £35.5 million) on the acquisition and development of housing properties including shared ownership properties, financed by social housing grant, shared ownership and other property sales receipts, bank loans, and operating cash flow.

Details of changes to the Association's fixed assets are shown in notes 8 to 10 to the financial statements.

Treasury Management Policy

The Association manages its exposure to interest rate risk through its treasury management policy. The policy sets parameters for both fixed and variable rate debt with fixed rate debt operating within a range of 35% - 50% of total debt and the balance held at variable rate. The proportion of fixed rate debt at 31 March 2014 was 35.2% (2013: 39.7%). This includes an embedded callable fixed option of £10m. The Association has no free standing derivatives and no exposure to margin calls on such products.

By retaining a proportion of debt at variable rate, the Association is able to benefit from current low variable rates but remains able to fix borrowings within existing loan facilities if required by changing market conditions. The policy is reviewed regularly by the Finance & Audit Committee and the Board.

Value for Money Self-Assessment

Summary

This is Hightown's Value for Money Self-Assessment for 2013/14. It demonstrates that Hightown is achieving Value for Money (VfM) in service delivery. It highlights the VfM achievements in 2013/14 and plans for 2014/15 and beyond. It demonstrates how Hightown is meeting the requirements of the Regulatory Standard required by its Regulator, the Homes and Communities Agency.

The Board

The Board's Value for Money Strategy sets out how Hightown will deliver Value for Money and monitor its performance.

Hightown is committed to delivering Value of Money in the delivery of its services, using its resources to deliver more affordable homes, to provide cost effective services without compromising standards, and to work in partnership with others to improve the quality of life of individuals and families.

The Board determines the allocation of scarce and competing resources as part of the business planning, budget and development approval processes. In the budget setting and business planning process the Board and Executive consider the impact of possible alternative service options. Development investment opportunities are reviewed by the Development Committee to ensure that they meet the Association's objectives, the required cost and performance benchmarks and deliver Value for Money.

Hightown participates in the independent HouseMark benchmarking service. The Board receives the results of the HouseMark benchmarking comparisons each year along with management explanations of the results. This tracks changes in performance both year on year and relative to other housing providers. It also informs the Board on how decisions taken impact on the key performance data of the Association. This data is shared with residents through the Housing Scrutiny Committee and in publications.

Hightown embeds Value for Money in its daily operations. Each department creates an operating plan setting out actions to be taken in order to deliver the Association's strategic plan. All identified tasks are assessed for delivery of Value for Money. For the last 7 years staff have recorded their Value for Money savings in an "Efficiency Log" on the Intranet.

The Board receives assurance on the delivery of Value for Money through regular management information from the Executive through the management accounts, key performance indicators reports, the monthly information reports, and the benchmarking reports. The production of this data is subject to internal audits undertaken by an independent auditor. The Board also receives annual reports on value for money in maintenance procurement and in care & supported housing activities.

In May 2014 Baker Tilly Risk Assurance Services LLP carried out an internal audit review of Value for Money within Hightown. The audit produced a positive "Green" rating concluding that the Board can take substantial assurance that the controls in place are suitably designed, consistently applied and effective to deliver and monitor Value for Money. The report also assessed that Hightown was "early transformational" in its approach to Value for Money with an evaluation score of 8 out of 10. The report identified areas where Hightown could improve performance. The Finance & Audit Committee will ensure actions to implement the recommendations are monitored.

Performance

Hightown has a good understanding of its cost base and how they compare with similar housing associations. Comparing cost and performance against peers provides an important external benchmark for the Association and is key to understanding areas for improvement. For the last 5 years Hightown has participated in the independent HouseMark* benchmarking club in order to measure its costs and performance against peers. The Residents STAR survey results are used to assess and benchmark service delivery and customer satisfaction in general needs services. The Global Accounts Data published by the Homes and Communities Agency (HCA) is also used to review Association-wide performance.

HouseMark Benchmarking Summary

The latest Value for Money summary for 2012/13 published by HouseMark below, shows that Hightown delivers low cost services when compared with those providers selected by HouseMark as its peer group, with all Hightown services showing low cost with in the main, either good or average performance. Over time Hightown has been able to continually reduce costs per property both in absolute terms and relative to its peers.

The HouseMark data can be viewed as a "scorecard" showing how the main areas of Hightown's Housing Activity compare against other Associations. All these activities are at comparatively Low cost and most performance is good or moving towards good. Comparatively low satisfaction with neighbourhoods from the STAR survey undertaken in 2012 is reflected in the low rating for Estate Services. This is being targeted for improvement, together with efforts to increase satisfaction with resident involvement and to improve response times for responsive repairs.

Key to services:

1 Responsive repairs and voids

2 Rent arrears and collection

3 Anti social behaviour (no data)

4 Major works and cyclical maintenance

5 Lettings

6 Tenancy Management

7 Resident Involvement

8 Estate Services

More detailed analysis of these costs appears later.

Global Accounts 2013

The Homes and Communities Agency also publishes top level performance data on the top 340 Associations in its Global Accounts 2013 publication. A sub-set of that data published in the trade press showed that Hightown outperformed the average of 60 of the largest traditional housing associations in the country on all financial ratios e.g. operating margin, gearing, interest cover, average cost of funds, and had stronger financial ratios than all other Hertfordshire based Associations.

Accessing and targeting limited resources

Residents' involvement
Hightown has seen a gradual increase in the numbers of residents actively involved over the last few years and offers a wide range of ways that residents can input into the management of their homes. Residents who undertake on-site inspections, together with feedback received generally from residents, help to identify particular neighbourhoods that need extra activity to tackle issues such as anti-social behaviour and litter issues. Hightown uses feedback from residents who mystery shop services and other resident feedback, including complaints, to target resources at improving the services that residents identify as important to them.

Partnership working
Working in partnership with other organisations means our costs can be shared with them. Examples of this include working with Hertfordshire County Council on the Thriving Families initiative and offering our service in the St Albans and District Civic Centre Hub which brought together the Council, local college, Centre for Voluntary Service and Citizens Advice Bureau and housing services.

We work closely with local authorities to understand their priorities and deliver services to meet their communities' needs, for example the mother and baby unit in St Albans, a frail elderly scheme in Aylesbury and domestic violence service in Dacorum.

We have worked with others to bring free money management courses to our residents.

Making best use of our buildings
Managing more properties in our key areas helps us spread the costs. We have already bought around 200 homes in our area from another housing association and we continue to look at further opportunities as they arise.

We have sold a small number of homes that cannot easily or economically be brought up to the decent homes standard, where investing in new homes in the area offers better value for money. Our Land & Asset Management Group look at alternatives for such properties. In our care and supported housing service we make sure that tasks are undertaken at the right pay scale so that higher paid staff are freed up to carry out more skilled work and costs are kept at a level to help ensure the ongoing viability of each scheme. A major restructuring of the department in 2013 further drove costs down to help Hightown to remain competitive in delivering services in the continuing climate of reductions in public funding.

Income generation
We react quickly to access grants to support new developments and services. For example, we secured £826,500 grant from the HCA and £1.2 million of local authority grants to build more homes. Local authority funding has been used to introduce an outreach service for people living on the streets and to extend the day service of the Open Door Homelessness service. Charity funding has enabled Hightown to help single people and couples on a low wage, or benefits, to rent a home from a private landlord by providing a bond deposit. Grants for carrying out energy efficiency improvements to our homes have been accessed.

Monitoring value for money
Each year the Board reviews Hightown's Value for Money improvements and compares Hightown's performance with other organisations through membership of HouseMark. The Board receives reports and presentations on the delivery of Value for Money on a number of key areas of Hightown's activities.

Staff record any savings they achieve throughout the year and this helps them focus on delivering value for money as they carry out their roles.

Residents' and independent assessments of Hightown's services
All aspects of our service and the value for money offered are regularly reviewed by residents who choose to attend our Residents' and Home Owners Panels as well as those who sit on the Housing Scrutiny Committee.

Residents also check our performance and the services we provide as Estate Services Inspectors and Mystery Shoppers.

We use independent organisations to help assess our services, such as Housing Quality Network, the Association of Retirement Housing Managers and Quality Housing Services (QHS).

Our care and supported housing services and training services are inspected and accredited by a variety of organisations, including the Care Quality Commission, Adult Care Services, Children's services, and a number of smaller grant funding bodies.

Our approach to investing in the development of our staff to enable them to deliver high quality services is accredited by Investors in People.

We use the independent HouseMark* benchmarking service to give us information on how Hightown compares with other housing providers. This helps us to focus attention on which services we might be able to improve; we follow up examples of excellent performers to learn lessons that we can use at Hightown. The HouseMark dashboard is made available to all Hightown staff on the intranet.

In addition to external testing of our services Hightown has a cost–effective Service Review Team to produce performance data independently of the front line services and to help managers review the operation of their services and bring about efficiencies.

Return on assets

Hightown recognises the importance of understanding the return on assets in order to achieve its strategic objectives. The key financial output measures in this area are provided in the table below and appear on page 3 of these accounts.

Hightown has a good asset register and understands its stock of properties and the return provided by them but recognises that it could increase this understanding. It has therefore embarked on a process of evaluating the contribution made by each property and groups of properties, to the Association which will be completed in 2014/15. This information will be used to determine the best option for any underperforming assets. More detail is given in the section heading under Asset Management.

The table that follows compares our financial performance over the last 5 years to show the trend of improvements over time and compared to similar sized traditional housing associations from both HouseMark and the HCA Global Accounts of Housing Providers data (where such data is available and comparable):

Performance	*2013/14*	*2012/13*	*2011/12*	*2010/11*	*2009/10*	*HouseMark median # 2012/13*	*HCA Global Accounts * 2012/13 Average*	*Comments*
Return on Assets (operating surplus as a % of average total assets)	5.5%	4.9%	3.8%	4.0%	5.2%	Not available	Not available	This shows how well Hightown has been using its housing properties to generate growth for new build and reinvestment. Return on capital employed is shown on page 3.
Debt per unit	£47,856	£46,036	£47,875	£46,219	£33,518	£21,233	£19,913	This is higher than our peers as Hightown has built many new homes with increasingly little or no grant.
Adjusted net gearing (borrowing, as a percentage of assets)	48.0%	49.9%	48.1%	43.8%	45%	Not available	Not available	This has been rising as we have borrowed a bigger proportion of new home costs due to lower government grants.
Average cost of borrowing	3.12%	3.25%	3.10%	3.00%	2.80%	4.5%	5.1%	This shows that we are paying low rates of interest for the money we borrow compared to our peers.
Growth in Turnover	3.5%	31.6%	4.2%	3.7%	6.5%	Not available	8.1%	Turnover in 2012/13 included a large number of new shared ownership sales.
Turnover to total operating assets	10.3%	11.4%	9.2%	9.5%	12.1%	Not available	Not available	In 2012/13 we had a large number of new shared ownership sales.
Growth in total assets	14.8%	5.5%	8.3%	31.5%	8.9%	Not available	6.3%	This reflects our development programme of new build homes.
Operating margin (as percentage of turnover)	31.7%	26.5%	24.7%	22.2%	24.2%	23.5%	25.9%	This has been rising as we have delivered a higher surplus than budgeted.
Interest Cover	287%	237%	196%	254%	245%	Not available	213.9% EBITDA	This is the relationship of interest paid to operating surplus. A strong interest cover results from our desire to borrow less from banks to build new homes.
Major works cyclical costs per property (including overheads)	£765	£766	£793	£926	£1,066	£1,101	£992	This shows that we are taking care of and investing money in our homes to provide high quality housing.
Responsive and void repairs per property (including overheads)	£666	£580	£596	£615	£644	£809		The cost has risen in 2013/14 partly due to the increased repair works required to void properties and increased mutual exchanges.

HouseMark Peer Group - Traditional housing associations with fewer than 5,000 homes across the country. *HCA Global Accounts 2013 Housing Providers

Financial capacity

Hightown is using its assets and resources to meet its strategic housing objectives. The Board wishes to produce a healthy surplus each year to allow it to continue to invest in the delivery of new homes to reduce the amount of new borrowing needed, thus saving interest costs in future years.

Hightown's Strategic Plan is to use its financial capacity to develop around 300 new homes each year to help meet local housing need for stakeholders – local residents, local authority partners, and the Homes & Communities Agency. Delivery does not fall evenly into financial years and in 2013/14 Hightown delivered 165 new homes (425 in 2012/13). The 2014-44 business plan shows this continued commitment to deliver new homes, with 1,186 planned in the next 3 years.

Working in partnership with local authorities to deliver a large number of new homes, Hightown is having a significant social impact in those local areas, reducing the use of expensive temporary accommodation and improving the quality of life of a significant number of households. An analysis by the National Housing Federation in 2013* concluded that 'for every £1 spent on housing, £2.41 is generated in the wider economy and every new home creates 2.3 jobs.

At 31 March 2014, the Association has access to £33m of loan finance and cash of £15m to meet its borrowing needs for 2014/15 and is in discussions with funders for more loan finance to provide funding for 2015/16 and beyond. Hightown's business plan is financially secure to allow it to continue to invest its surplus in building new homes and has the confidence of the banks to gain access to loan finance.

As Hightown builds more homes with less Government grant, so the amount of money borrowed has grown. This can be seen in the rise in the gearing ratio in the accounts, which is the relationship of money borrowed as a proportion of the cost of the homes built. The higher the percentage the more Hightown is borrowing as a proportion of each home built. Hightown's gearing ratio at 31 March 2014 was 48%. Our funding banks are comfortable with a gearing ratio of up to 65% for Hightown so there is still capacity to borrow more money to build more homes in future years.

Hightown has invested its annual surplus into new build homes and this has helped to minimise the amount of bank finance needed. The rising gearing ratio reflects the Board's commitment to maximise development opportunities locally and to increase the supply of new housing whilst retaining Hightown's financial strength.

*(*National Housing Federation analysis of Centre for Economic and Business Research Economic Impact Database, 2013)*

Asset management

We have very good knowledge and understanding of all our properties and hold detailed information on asset register databases. This allows us to not only to hold detailed information of past and future repairs expenditure for each property, but record information on what assets we own, what they have cost, whether they are charged as security to the bank, or available for new borrowings. We have a robust method of planning and programming works using data from our ongoing stock condition surveys and our asset management software, Integrator. This feeds into the business plan and ensures that we will be able to continue to maintain our homes in good condition in the future.

In 2013/14 Hightown invested £681,000 in major works to keep homes in good condition and spent a further £1,000,000 on capital works, replacing worn out property components such as boilers, bathrooms and kitchens. The way we arrange for works to be carried out (our methods of procurement) have made sure that we achieve value for money and are detailed later. At the end of 2013/14 all Hightown's properties met the Regulator's Decent Homes Standard meaning all properties are in good condition.

To help understand our properties even better, we have been working on new ways to look at all our properties to determine which properties offer the best Value for Money to us and whether there are any properties we need to look at more closely i.e. where the amount of current or future repairs exceeds the future rent we will receive. We have always looked at properties that need major works each year, but this further analysis will allow us to look at all properties together to confirm that there is a business case for continuing to hold each property in its current use. Early indications are that there is very little stock that is underperforming, which reflects the fact that almost half our stock is less than 12 years old, with strong rent levels locally. We will continue to refine the process and examine the detailed results in 2014/15. In the past we have sold underperforming properties to reduce future spend where it is uneconomic to do so. As well as reducing future spend, this has also released locked-up capital value to provide more funds to re-invest in new replacement units with less public grant, allowing us to deliver more or better standard homes to meet housing demand.

Hightown's homes are becoming increasingly energy efficient and have an average Energy Efficiency Rating (RDSAP 2005) of 76, this places Hightown in the top quartile (top 25%). Investment in energy efficiency measures continues to provide our residents with reduced energy bills and warmer homes. On a number of our new build properties we have installed solar PV panels and have trialled the installation of a ground source heat pump as a replacement for oil fired heating. We have installed solar PV panels on the roof of our main office building in Hemel Hempstead and this capital investment is helping to reduce our overhead running costs and reduce our carbon emissions. This investment will pay for itself in 7 years and reduce our carbon footprint immediately.

We make sure that our new homes are only built if they will have a long term future and Hightown only develops in locations that are within an hour's drive of the head office at Hemel Hempstead. This focuses resources in an area of acute housing need where Hightown feels it is able to make the most impact whilst not increasing management costs disproportionately.

Increasing the number of homes we manage through development opportunities and acquiring homes from other providers as part of their stock rationalisation spreads Hightown's costs per property. Our total housing management costs per property has continued to reduce over the last 3 years by 18%. In addition by taking on homes from other providers Hightown is able to deliver better local services, bring homes up to the decent homes standard and reduce travel for residents and officers and contractors who manage and repair the properties. Local management can lead to a better environment for residents, reduce carbon emissions and deliver improved housing management which has a social impact.

We achieved another excellent audit report from the Homes and Communities Agency on our quality and procedural compliance for new developments funded with grant.

To make sure that our building assets are benefiting as many people as possible and we are using the tax payers' subsidy for social rented homes well, we are involved in the Best Use of Stock initiative and Hightown has been seen as one of those leading the way. As a result the Chartered Institute of Housing has invited Hightown to speak to others about our approach. The number of mutual exchanges during 2013/14 increased by 86% from the previous year, with 78 exchanges taking place, and Hightown was amongst the top ten users of the HomeSwapper website.

Absolute and comparative costs of services

The latest published HouseMark data is for 2012/13. The extracted table below provides an illustrative view of how Hightown's performance compares with other similar housing providers in 2012/13 and how we have made improvements in the last 4 years.

In all areas Hightown's comparative performance is either improving or has stayed within the same good quartile performance.

HouseMark efficiency summary for Hightown

Business Activity	Cost Key Performance Indicator (KPI)	Performance Quartile			
		2012/13	2011/12	2010/11	2009/10
Overheads	Overhead costs as % adjusted turnover				
Major works and cyclical maintenance	Total Cost Per Property of Major Works & Cyclical Maintenance				
Responsive Repairs & Void Works	Total Cost Per Property of Responsive Repairs & Void Works				
Housing Management	Total Cost Per Property of Housing Management				
Development	Staff involved in standard units developed per 100 units				
Estate Services	Total Cost Per Property of Estate Services				

Quartile Key				
Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile

The following table gives numerical information about how the cost of Hightown's key general needs services compare with the HouseMark peer group of 39 other traditional housing associations in England with less than 5,000 properties.

Performance Indicator Cost per property of:	Comparison with the best performing 2012/13 (latest available figures)		Hightown results for the last five years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2012/13	2011/12	2010/11	2009/10
Total Housing Management	£468	£537	**£401**	£466	£490	£537
Direct Housing Management	£275	£306	**£283**	£321	£343	£379
Direct Rent Arrears & Collection	£67	£84	**£86**	£91	£96	£118
Direct Resident Involvement	£40	£51	**£40**	£43	£53	£54
Direct Anti-Social Behaviour	£32	£42	**£36**	£49	£54	£38
Direct Lettings	£37	£47	**£44**	£47	£47	£61
Direct Tenancy Management	£58	£78	**£78**	£91	£93	£108

This table shows that Hightown's costs per property have been decreasing for the last four years and generally compare favourably with other similar Associations. In most cases our quartile position has improved over the last four years. In 2012-13 Hightown was in the median to top quartile across most indicators.

In 2012/13 our non-pay costs relating to Housing Management were less than £16 per property compared to the mid-point of our peer group which was £53. The majority of anti-social behaviour (ASB) cases are resolved without getting to the expensive court stage and our practice of training staff to represent Hightown at straightforward court cases is delivering value for money through much lower legal costs than other housing providers.

Overall resident satisfaction of 83% places Hightown in the upper middle quartile nationally. The 2012 Survey of Tenants And Residents (STAR*) reported that 69% of residents were satisfied that they obtain good value for money from their rent (just 12% said they did not), against the peer group average of 77%.

* Housing providers use the STAR survey so they can compare responses to questions asked.

General needs rented housing management key performance indicators

Performance is strong in these key management areas, placing Hightown as one of the top performers in keeping empty properties to a minimum and helping us maximise rental income:

	HouseMark top 25% 2012/13 (top quartile)	HCA Global Accounts 2013 Average	Hightown's results over five years				
			2013/14	2012/13	2011/12	2010/11	2009/10
Void Loss - % of income lost due to empty homes	0.63%	1.7%	0.40%	0.45%	0.46%	0.43%	0.66%
Average no of days taken to re-let a home excluding major works	18 days	Not available	15 days	13 days	13 days	17 days	22 days
Arrears (rent owed) - % of rent due	2.92%	4.8%	4.01%	4.06%	4.61%	4.55%	3.47%*
Arrears attributable to unpaid housing benefit	0.30%	Not available	1.10%	1.72%	2.80%	2.00%	No data

* Net of HB debt removed

Hightown is maximising income through good control of rental income demonstrated by the underlying good performance and downward trend in general needs rent arrears. By having a small specialist team working on rent arrears there has also been a gradual and continuous improvement in income recovery since 2006.

Hightown tries to continuously lower operating costs through increased efficiencies. Over many years we have concentrated our resources into front-line teams rather than back-office support services and this is shown below in the results of the HouseMark benchmarking. This highlights our low overhead costs compared to others.

In 2012-13 Hightown was ranked as the top performer for ICT, Finance & Central overhead costs with the lowest costs in the peer group:

Performance Indicator Overhead cost breakdown per direct user	Comparison with the best performing 2012/13 (latest available figures)		Hightown results for the last four years			
	Top 25% (Upper Quartile)	Top 50% (Median)	2012/13	2011/12	2010/11	2009/10
Premises	£4,873	£6,236	£7,780	£8,865	£9,312	£9,773
ICT	£5,745	£6,760	£3,086	£3,216	£3,069	£2,333
Finance	£3,211	£4,449	£1,405	£1,788	£1,957	£2,410
Central	£8,310	£12,146	£2,876	£3,593	£3,688	£4,428

Value for Money Gains – 2013/14

Procurement
Hightown has achieved added value through the way we buy services and arrange work to our homes (this is called procurement). We have a small procurement team that make sure that larger contracts are properly tendered and that bids are robustly evaluated to strike a balance between cost and quality. Residents are involved in evaluating the bids and interviewing contractors on major repair works and other key contracts, such as the out of hours call centre service.

Average works order costs per property are low when compared to other providers due to the way we procure our day-to-day repairs service. We use reliable local contractors who are knowledgeable about our stock and who achieve a good level of 'right first time' fixes, keeping costs down and satisfaction levels high.

The planned works programme helps to keep day-to-day repairs costs down.

Key service contracts and savings procured during 2013/14
The key contracts and services that were procured during 2013/14 achieved savings of at least £57,000 as detailed in the following table:

Service Area	Contract Value	Costs / savings	Service improvements / efficiency gains over time
External Audit	£24.5k per annum	£2k per annum. 8% saving	Efficient year end audit process. Savings of £10k over 5 year life of contract.
Gas Central Heating Installation Works at Steppingstone Place, Hartwell Grove, Ken Davies Court & Great Farm Close	£263k	VFM achieved by tendering the works and unquantifiable ongoing savings in utility bills for residents. This is a cost to Hightown covered by rent paid.	Lower energy bills for our tenants, better control of heating and hot water. Improved customer satisfaction.
Grounds Maintenance Services	£127k	£6k per annum 5% saving	Over the duration of the contract approx. £18k saving
Windows/Doors replacements	£33k	Use of framework agreement for mini competitive tender achieves greater savings.	Achievement of customer satisfaction targets.
Servicing Contracts	£61k	VFM achieved by tendering the works.	A number of service contracts brought together under two main centralised contracts which will take less time to manage.
Solar PV Installation on Hightown House	£38k	Feed in Tariff income and electricity savings of around £140k over the next 20 years. Payback on capital investment will be in year 7. 8% saving	The system generates one free month of electricity for head office per annum and is contributing to the reduction of our carbon footprint.
Stationery and Office Furniture	Ongoing	Access to tender priced framework agreement for all housing associations means savings against going to the market on our own.	More efficient buying process. Good account management team

Fixed Wire Testing	£30k	Based on carrying out 500 tests per annum, saving is approx. £6k per annum. 20% saving	Improved response time and better communication.
Utilities Contract	£30k	Moving non-contract sites and new communal sites onto the corporate contract has generated electricity savings in excess of £30k.	Good account management team.
Northern Housing Consortium Contract	£38.9k per annum	Current contract has made procurement savings in excess of £6k.	Procurement savings and a good account management team.

Other Value for Money initiatives carried out during the year included:
We delivered 165 new build homes in 2013/14. Delivering affordable rented homes as well as social rented homes to support our continuing development programme.

The Care and Supported Housing Department underwent a significant re-organisation in 2013/14. Structures were re-aligned to help deliver services to meet the commissioners savings and value for money requirements. After meeting redundancy costs in 2013/14, the ongoing savings are £98,000 per year.

We have also made good progress in developing a software solution to increase the efficiency and effectiveness of managing staff and bank relief workers in Care & Supported Housing Schemes, to produce on-line care support plans, and allow greater visibility in reporting delivery on contract commitments. Working with the Business Manager 3 software package we began the rollout of an IT solution to manage staff resources more efficiently, to allocate shift rotas, and replace manual paper timesheets and data input to payroll, thus releasing time for more customer facing activities. This process will continue to be rolled out to all schemes and will be complete by the summer of 2014. Work to create on-line care support plans should be ready later in 2014/15.

The Board reviewed staff pension schemes and agreed to keep pension arrangements for existing staff in place but to close the existing Defined Benefit pension scheme to new entrants. All new staff are auto-enrolled into a new Defined Contribution pension scheme. Although closure to new members attracts a contribution surcharge of £78,000 each year for Hightown, since the Defined Contribution scheme is a lower cost scheme, the long term position is a saving in contributions. In addition, the Defined Contribution scheme carries no risk to Hightown of future pensions deficits through unfunded pensions.

We commissioned Housing Quality Network to look at value for money in maintenance, an area of service identified for detailed review by the Housing Scrutiny Committee and the Board.

We continued to make better use of existing technology and used simple workflows to make our services more efficient and build upon the efficiencies already achieved in the last financial year. This led to better use of staff time in delivering front line services.

We made arrangements to support tenants impacted by the Welfare Reform changes. This proactive approach to preventing arrears has helped us to keep arrears under control and to make better use of stock as evidenced by the increased number of mutual exchanges in the year.

We disposed of 2 rented properties and a supported housing scheme property that were deemed uneconomical to retain and where sale and reinvestment in new stock provided better value for money.

We introduced an in-house designed software solution to improve the arrangements for the monitoring and setting of service charges. This will lead to future improvements in the provision of information to residents and efficiencies by reducing the time taken to set and monitor service charge budgets.

We took part in a cost saving pilot with St.Albans District Council to deliver services from the Civic Centre Hub in St Albans. However this pilot is not being taken forward in 2014/15 as a review after one year's operation found that the service was not providing a value for money way of delivering services to residents.

During the year we outsourced a considerable proportion of the IT support service as a value for money initiative that would both reduce annual costs and deliver a better quality service. This involved restructuring the ICT Team and appointing an external provider to carry out some of the most technical functions.

On a recent redevelopment site, Hightown employed site guardians to house people temporarily in the vacant buildings prior to works commencing. As well as providing live-in site security and saving £5,200 on the cost of security screens, it also provided temporary accommodation to 18 households for 10 months.

Examples of Hightown's Value for Money achievements that impact wider society:
Outcomes are not always financial or just for Hightown and its residents, but can also benefit the local community and wider society – social and environmental outcomes can be more difficult to calculate and quantify but nevertheless are as important as measurable financial outcomes.

In the last financial year we have helped to house 234 households through the choice based lettings scheme; we have housed 105 homeless households; we managed 21 transfers from housing association or local authority homes to more suitable accommodation and facilitated 78 exchanges. This has transformed the lives and well-being of those households.

In addition, through the delivery of our care and supported housing services we have continued to improve the quality of life of a large proportion of our service users. We provide over 640,000 hours of support each year with 865 clients.

A study of the cost benefit of Supporting People funding, undertaken by Cap Gemini, showed that, on average, for every £1.60 invested in a preventative service £3.40 is saved through reduced demand on the National Health Service, Social Services, Local Authority and Emergency services. Many of Hightown's services have social and environmental outcomes and lead to the prevention of more costly services being called upon.

A few examples are given below:

- Outreach work for street homeless – St Albans has for a number of years experienced difficulty with anti-social behaviour from a small number of street drinkers and had difficulty engaging with a number of entrenched homeless individuals. Our Street Homeless worker has continued to engage with these individuals and in some cases has supported them to access homeless services and support. This has resulted in less input from police, emergency services and the anti-social behaviour team and less perceived and actual anti-social behaviour in central St Albans. In the period July 2103 to March 2014, 73 client cases were dealt with.

- The St Albans Rent Secure Scheme (STARSS) – is a partnership between Hightown and St Albans District Council set up to help people on low incomes or in receipt of housing benefit payments to access privately rented accommodation. Between June 2012 and March 2014, a total of 59 residents have been housed under the STARSS scheme. Based on the CRISIS Making It Count tool calculation devised by York University, the estimated saving on the public purse is in excess of £150,000. As a result of the success of this partnership work the Council has decided to incorporate this activity into their mainstream service delivery from April 2014.

- Tenancy sustainment work – across Hightown we have a number of preventative schemes which operate to help people in a range of accommodation to maintain their tenancies. We have successfully supported people to manage their anti-social behaviour, reduce arrears, manage alcohol and drug dependencies and make positive lifestyle choices. The effect of this is that less input is required from public services such as the police or anti-social behaviour teams and possible evictions are avoided.

- Supported Housing Mother and Baby services – we operate teenage mother and baby services in St.Albans and Hemel Hempstead. Our teams work with the mothers from early stages of pregnancy to support them to prepare for motherhood and tenancy management. Mothers stay with us until we are confident they are able to manage independently without a high level of support. This in turn has provided improved success in young mothers being able to cope with their children and tenancies without later Social Services intervention and possible eviction from their property.

- Energy efficiency - measures are undertaken in our homes, such as the installation of gas central heating to replace electric heating and hot water systems, window replacements, cavity wall and loft insulation. We have also trialled the use of an air source heat pump as an alternative to oil fired heating. This results in less heat being wasted, less energy being used and reduces fuel bills for residents, improving their financial circumstances. The results of this will be evaluated in 2014/15.

Income Generation

Hightown promotes the provision of services to third parties and finds ways to generate income and obtain grants to support our work. Examples from 2013/14 include:

- We attracted Social Housing Grant to build new properties totalling over £2 million - £826,500 from the Homes and Communities Agency and £1.2 million from local authorities.
- We generated £10,600 through the Learning and Development Team by assessing NVQ housing qualifications for a college and three other housing associations.
- Workskills, a scheme run by Hightown to help those with mental health issues prepare for the workplace, carried out work for external customers generating income of £24,760.
- Hightown runs two Charity Shops in local towns generating sales of £85,000 for mental health support services and providing important work experience for clients.
- Grants of £277,070 for Care and Supported Housing schemes eg to provide support for street homeless, domestic violence and mother and baby services.
- The sales team have managed eight completions on re-sale properties generating fee commission income of £7,570.
- Hightown rented out the vacant car park on a redevelopment site whilst awaiting planning permission, which generated additional revenue income of £14,550.
- Hightown negotiated a payment of £98,000 with the outgoing occupant of an office building acquired for development in return for early termination of the lease.
- To improve the viability of a large new development site, Hightown sold part of the site for use as a commercial self-storage site bringing in £1.25 million.

Planned Value for Money improvements in 2014/15

In 2014/15 Hightown is planning to deliver a financial surplus of £7.6m. This surplus will be used to part fund the expected development spend on new housing of £54m. We expect to complete a further 335 new homes in 2014/15 meeting our strategic objective of delivering around 300 homes per year.

We expect to attract social housing grant of £2 million in the delivery of our new homes.

We expect to manage these 335 extra units with only marginal increases in our operating costs, thus reducing both our absolute management cost per unit and improving our comparative performance against our peers. As the Association continues to deliver new units, so we expect to see further incremental savings in costs per unit in absolute costs and as against our peers.

We will continue to make changes to our internal systems and processes through more process re-engineering taking advantage of IT and technology throughout the Association to improve front line service delivery efficiency and reduce back office overhead costs and improve efficiency.

We expect to make further Value for Money gains in 2014/15 and beyond through the following specific service based actions:

Service Area	Action	Estimated savings	Service improvements / efficiency gains over time
Care & Supported Housing	Process re-engineering. Finish roll out of Business Manager software system to all C&SH services. Creation of on-line care support plans. Improvements in contract information and invoicing.	To be measured when complete.	Improved service delivery through efficiency of rotas. Removal of paper timesheets and claims. Greater accuracy and transparency on claims. Improved monitoring of contracts.
Insurance	Consider self-insurance for employment practice insurance.	£16k per annum.	Ongoing saving.
Training	Change process for providing C&SH induction training.	£10k per annum.	Ongoing saving. Greater consistency of training provided.
HR Admin	Consolidate employee data into Business Manager database. Decommission existing software.	£5k per annum.	Better reporting, more easily and promptly produced, facilitating better decisions.
Marketing	Improve marketing of shared ownership properties by reviewing current contract arrangements	£3k per annum.	Ongoing saving. Streamline processes and time savings. Wider reach for adverts.
Finance	Process re-engineering. Devise an on-line, paper-free staff expenses claim process.	£2k in postage. Other savings to be measured.	Admin savings on processing. No paper or postage costs. Quicker and more efficient payment process. Faster payment of expenses. Greater control of claims. Time released can be better utilised.
Development	Process re-engineering. Implement an in-house more streamlined reporting system for development schemes.	To be measured when complete.	Better reporting, more easily and promptly produced, facilitating better decisions.
HR Admin	Process re-engineering of recruitment process.	To be measured when complete.	Quicker, more efficient service. Better reporting and analysis.
HR Admin	Reduce sickness levels through improved monitoring reports to managers.	To be measured when complete.	Reduced sickness. Lower cost of bank staff in Care & Supported Housing.
Procurement	Seek additional Buying Club opportunities and more Framework agreements.	To be measured when complete.	Potential savings in price due to volume business. Lower administration. Quicker process.
Website functionality	Improve the website to allow customers to interact more and self serve in terms of checking accounts and progress with repairs. Increase the use of social media, emails as a method of communication.	To be measured when complete.	Reduced postage and telephone costs. Quicker and more convenient method of communication. Reduction in call volumes that have to be staffed.

Major contracts to be tendered during 2014/15:

Contract	Expected Value	Estimated savings	Service improvements / efficiency gains over time
Utilities Contract	Gas £112k per annum Electricity - £293k per annum	Gas – 18% reduction from previous contract. Electricity – 7% rise from previous contract.	Buying power through the Monarch Framework gives a far better price per kwh than going to the market ourselves.
Utilities Contract	As above	Moving non-contract sites and new communal sites onto the corporate contract will have the potential to generate electric savings in excess on £15k.	Lower energy bills for our tenants due to lower service charges. Good customer satisfaction.
External & Internal Decorations	£150k	Use procurement framework Fusion 21. Rates fixed are favourable than previous terms.	Compliancy and by using two or more contractors we can benchmark the works.
Window & Door Replacement Programme	£300k	Expecting a saving on previous contract of around 10%-15% so £30-40k.	Use of framework agreement for mini competitive tender achieves greater savings. Pricing checked and is far more competitive than our current tendered prices.
Boiler Replacement Programme	£150k	New contract pricing expected to match last contract costs.	More efficient boilers. Reduced running costs for tenants, reduced maintenance costs for Hightown.
Kitchen & Bathroom Replacement Programme	£400k	New contract pricing expected to match last contract costs.	Reduced ongoing maintenance costs for Hightown. No inflationary increase.Better customer satisfaction.
Refurbishment 3 & 4 Bunkers Farm Cottages & Flat 5, 114 Clarence Road	£25k	New contract pricing expected to match last contract costs.	Reduced ongoing maintenance costs for Hightown. No inflationary increase.Better customer satisfaction.
IT Support Contract	Dependant on services tendered	Dependant on tender outcome.	Fixed term contract certainty. Expect savings and efficiencies on current agreement.
Communal Cleaning & Window Cleaning	£117k	£8k per annum saving on previous contract.	Lower service charge for our tenants. Much better customer satisfaction.

We will report the outcome of these contracts and other Value for Money initiatives in the 2014/15 self-assessment.

Board members and executive directors

The present Board members of the Association are set out on page 2. The Board members are drawn from a wide background bringing together professional, commercial and local experience. All the Board members served throughout the year unless otherwise stated.

The executive directors are listed on page 2. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

Employees

At 31 March 2014, the Association had 359 (2013: 389) full time equivalent employees (excluding "bank" staff who cover temporary vacancies and staff leave) most of whom are engaged in providing front line housing and support services to our residents. The Association is accredited for Investors in People and continues to invest in the training of its employees. Our aim is to ensure that our staff are given the support necessary to enable them to provide high quality, professional services.

The Association keeps its staff informed about the Association's objectives, progress and activities through regular office and departmental meetings. A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff.

The Association is committed to equality and diversity for all its employees and complies with all relevant legislation and best practice.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

National Housing Federation Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (*Excellence in Governance: Code for Members* 2010) except in the number of Board members where the Association considers that a larger Board is required for the effective business of the Association and to provide for adequate succession planning The ways in which we seek to achieve good Housing Association governance are outlined below.

NHF Excellence in Standards of Conduct

The Association has policies and procedures to demonstrate compliance with the NHF *Excellence in Standards of Conduct: Code for Members* 2010.

The Board

The Board currently comprises eleven elected non-executive members and five co-optees. The Board is the governing body of the Association and sets the strategic direction of the Association and monitors performance. The Board meets, formally, every six weeks for regular business. It has six Committees; Governance, Housing Scrutiny, Care and Supported Housing, Development, Finance and Audit, and Remuneration.

The Board is responsible for the Association's strategy and policy framework. Day to day management and implementation of that framework is delegated to the Chief Executive and then to the other executive directors and through them to management staff. The Chief Executive meets regularly with the Chairman between Board meetings and meets bi-weekly with the executive directors.

Board members are usually elected at the Annual General Meeting for a three year term and may serve for a maximum of three consecutive terms. Under the rules, the Board may consist of between seven and twelve elected members and up to five co-optees. The Board may appoint new members during the year but they must retire at the next annual general meeting.

Committees

The Governance Committee - consists of the Chair and six other Board members and usually meets two or three times a year and when required. It reviews and makes recommendations to the Board on the governance of the Association.

The Housing Scrutiny Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its general needs residents and others and reports back to the Board.

The Care and Supported Housing Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its care and supported housing residents and others and reports back to the Board.

The Development Committee - consists of a minimum of three Board members and up to six members in total and meets four times a year. It monitors and reviews the Association's development strategy and programme and reports its conclusions and recommendations to the Board.

The Finance and Audit Committee - consists of a minimum of four Board members and up to six members and meets four times a year and when necessary. It monitors and reviews the financial operations and policies of the Association. It considers the Association's borrowing strategy, including principal terms of individual loans and reports back to the Board. It reviews the effectiveness of the Association's internal control systems and makes recommendations to the Board on audit practice and on the appointment of the internal and external auditors.

The Remuneration Committee - consists of the Board Chair and Vice-Chairs, chairs of other committees, and up to two other Board Members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the remuneration and conditions of service of the senior staff of the Association and on the pay structure and key conditions of service of the staff.

Committee Memberships

The committee memberships are as follows:

Governance
Mike Bailey (Chair)
Donald Bell
Monica Cashman
Tony Keen
Althea Mitcham
Mary Pedlow

Housing Scrutiny
Mary Pedlow (Chair)
Monica Cashman
Philip Day
Frances Kneller
Richard Ronald (until 29/01/2014)
James Steel (from 01/01/2014)
Residents:
John Doyle
Kathryn Hallett
Anna Marie Peel
Ragini Shah
Sumy Tharakan

Non-Board member:
Ben Beadle

Care & Supported Housing
Althea Mitcham (Chair)
Monica Cashman
Philip Day
Carol Green
Frances Kneller
Claire Blunt (from 01/01/2014)

Non-Board members:
Hazel Cannon
Alison Steer

Development
Tony Keen (Chair)
Peter Fix
Cliff Hawkins
Althea Mitcham
Richard Ronald
Oliver Burns (from 01/01/2014)

Non Board member:
Alison Steer

Resident:
Ron Symons

Finance & Audit
Donald Bell (Chair)
Brian Ellis
Peter Fix
Cliff Hawkins
Tony Keen
Mary Pedlow
Claire Blunt (from 01/01/2014)
Oliver Burns (from 01/01/2014)
James Steel (from 01/01/2014)

Resident:
Kathryn Hallett

Remuneration
Mary Pedlow (Joint Chair)
Tony Keen (Joint Chair)
Mike Bailey
Donald Bell
Monica Cashman
Althea Mitcham

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the Association, including those not registered with the Homes and Communities Agency.

The system of internal control is designed to manage, rather than eliminate, risk, to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

In meeting its responsibilities the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2013 up to the date of approval of the annual report and financial statements. The Board and the Finance and Audit Committee receive and consider reports from management on these risk management and control arrangements.

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 include:

Identifying and evaluating key risks
The Association's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Control environment and internal controls
The processes to identify and manage the key risks to which the Association is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, 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 Finance and Audit Committee. The Board receives quarterly management accounts and key performance indicators. The Housing Scrutiny Committee, the Care and Supported Housing Committee, the Development Committee and the Finance and Audit Committee regularly receive reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board at each meeting throughout the year. Board members have access to monthly reports from the Chief Executive, the executive directors and the senior managers.

Monitoring arrangements
Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via its Finance and Audit Committee. The arrangements include a rigorous procedure, monitored by the Finance 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, the Homes & Communities Agency.

Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these financial statements the Board has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers - Update 2010" and;
- prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges that it is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements.

Annual General Meeting

The annual general meeting will be held on 18 September 2014.

Auditor

A resolution to re-appoint BDO LLP as external auditor will be proposed at the forthcoming annual general meeting.

Approval

The report of the Board was approved on 3 July 2014 and signed on its behalf by:

David Skinner
Secretary
3 July 2014

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

For the year ended 31 March 2014

We have audited the financial statements of Hightown Praetorian and Churches Housing Association Limited for the year ended 31 March 2014 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 society's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of 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 Financial Reporting Council'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 2014 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 Industrial and Provident Societies Acts 1965 to 2002.

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: 7 *July 2014*

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

Hightown Praetorian and Churches Housing Association Limited
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
TURNOVER	*1*	**45,296**	**43,671**
Operating costs	*1*	(30,929)	(32,100)
OPERATING SURPLUS	*1,4*	**14,367**	**11,571**
Surplus on sale of properties & other fixed assets		1,068	48
Interest receivable and other income		175	96
Interest payable and similar charges	*5*	(6,072)	(5,024)
SURPLUS ON ORDINARY ACTIVITIES	*18*	**9,538**	**6,691**

All activities are continuing.

The notes on pages 32 to 61 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 3 July 2014 and are signed on its behalf by:

Mike Bailey - Chair   Donald Bell - Board Member   David Skinner - Secretary

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Notes	2014 £'000	2013 £'000
Surplus for the financial year		**9,538**	**6,691**
Actuarial surplus/(deficit) relating to pension scheme	*26*	13	(253)
Unrealised (deficit)/surplus on revaluation of investments	*10,18*	(166)	104
TOTAL RECOGNISED SURPLUSES AND DEFICITS RELATING TO THE YEAR		**9,385**	**6,542**

Hightown Praetorian and Churches Housing Association Limited
BALANCE SHEET
As at 31 March 2014

	Notes	2014 £'000	2013 £'000
TANGIBLE FIXED ASSETS			
Housing properties	*8*	390,920	361,092
Social housing and other grants	*8*	(142,419)	(139,639)
		248,501	221,453
Investments	*10*	2,205	2,371
Other tangible fixed assets	*9*	5,774	5,820
TOTAL FIXED ASSETS		**256,480**	**229,644**
CURRENT ASSETS			
Properties awaiting sale	*11*	1,886	3,749
Debtors	*12*	3,074	2,202
Cash at bank and in hand	*13*	16,449	7,186
		21,409	**13,137**
CREDITORS: Amounts falling due within one year	*14*	**(10,505)**	**(9,567)**
NET CURRENT ASSETS		**10,904**	**3,570**
TOTAL ASSETS LESS CURRENT LIABILITIES		**267,384**	**233,214**
CREDITORS: Amounts falling due after more than one year	*15*	**214,191**	**189,393**
PENSION LIABILITY	*26*	**240**	**253**
		214,431	**189,646**
CAPITAL AND RESERVES			
Share capital	*17*	-	-
Revaluation reserve	*18*	299	465
Restricted reserve	*18*	126	126
Revenue reserve	*18*	52,528	42,977
ASSOCIATION'S RESERVES	*18*	**52,953**	**43,568**
		267,384	**233,214**

The notes on pages 32 to 61 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 3 July 2014 and are signed on its behalf by:

Mike Bailey - Chair

Donald Bell - Board Member

David Skinner - Secretary

Hightown Praetorian and Churches Housing Association Limited

CASH FLOW STATEMENT

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*20*	**18,962**	**8,961**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		175	96
Interest paid		(6,382)	(5,504)
Net cash outflow from returns on investment and servicing of finance		**(6,207)**	**(5,408)**
CAPITAL EXPENDITURE			
Purchase and construction of housing properties		(32,494)	(23,314)
Social Housing Grant received		2,160	5,108
Purchase of other fixed assets		(170)	(94)
Sales of housing properties		3,882	2,197
Sales of other fixed assets		8	-
Net cash outflow from capital expenditure		**(26,614)**	**(16,103)**
Net cash outflow before use of liquid resources and financing		**(13,859)**	**(12,550)**
FINANCING			
Loans received		25,000	17,000
Loans repaid		(1,878)	(6,367)
Net inflow from financing		**23,122**	**10,633**
INCREASE / (DECREASE) IN CASH IN THE PERIOD	*21*	**9,263**	**(1,917)**

The notes on pages 32 to 61 form part of these financial statements.

LEGAL STATUS
Hightown Praetorian & Churches Housing Association Limited (the Association) is registered under the Industrial and Provident Societies Act 1965 and is 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. The notional principal is not reflected in the Association's balance sheet. 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, then these components are 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".

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	2014 Turnover £'000	2014 Operating costs £'000	2014 Operating surplus £'000	2013 Turnover £'000	2013 Operating costs £'000	2013 Operating surplus £'000
SOCIAL HOUSING LETTINGS (Note B)	**33,189**	**(20,395)**	**12,794**	**30,505**	**(19,543)**	**10,962**
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	1,155	(1,155)	0	1,099	(1,099)	-
Management services	373	(308)	65	318	(309)	9
Aborted development costs	-	(85)	(85)	-	(8)	(8)
Other	756	(36)	720	183	(40)	143
Current asset property sales	9,282	(8,356)	926	11,026	(10,501)	525
	11,566	**(9,940)**	**1,626**	**12,626**	**(11,957)**	**669**
NON-SOCIAL HOUSING ACTIVITIES						
Registered nursing homes	493	(538)	(45)	488	(529)	(41)
Charity Shop	48	(56)	(8)	52	(71)	(19)
	541	**(594)**	**(53)**	**540**	**(600)**	**(60)**
TOTAL	**45,296**	**(30,929)**	**14,367**	**43,671**	**(32,100)**	**11,571**

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

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

	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	2014 Total £'000	2013 Total £'000
INCOME FROM SOCIAL HOUSING LETTINGS						
Rent receivable net of identifiable service charges	15,559	2,847	1,871	169	20,446	17,953
Charges for support services	27	720	-	-	747	741
Service charge income	1,115	1,284	513	-	2,912	2,803
Other revenue grants	1	6,052	-	3,031	9,084	9,008
TURNOVER FROM SOCIAL HOUSING LETTINGS	**16,702**	**10,903**	**2,384**	**3,200**	**33,189**	**30,505**
EXPENDITURE ON SOCIAL HOUSING LETTINGS						
Management	(1,727)	(514)	(208)	(448)	(2,896)	(2,582)
Support Service costs	(196)	(6,292)	-	(2,380)	(8,868)	(8,914)
Service charge costs	(815)	(1,290)	(295)	(186)	(2,586)	(2,685)
Routine maintenance	(1,803)	(292)	(6)	(55)	(2,156)	(1,786)
Planned maintenance	(230)	(35)	-	(2)	(267)	(257)
Major repairs expenditure	(293)	(49)	-	(26)	(368)	(750)
Bad debts	(152)	(39)	(24)	-	(215)	(122)
Depreciation of housing properties	(2,334)	(425)	(248)	(31)	(3,038)	(2,447)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**(7,550)**	**(8,936)**	**(781)**	**(3,128)**	**(20,395)**	**(19,543)**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**9,151**	**1,967**	**1,603**	**73**	**12,794**	**10,962**
Void losses	(116)	(181)	(110)	(7)	(414)	(504)

2 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 104 supported housing tenancies (2013:109) that are managed on its behalf under management agreements by other bodies who 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

	2014 No.	2013 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)	2,602	2,505
Supported housing (including agency managed)	602	605
Shared ownership	598	551
Leasehold	566	554
Residential care home bed spaces	57	65
Total in management	4,425	4,280
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	4,433	4,288

4 OPERATING SURPLUS

	2014 £'000	2013 £'000
This is arrived at after charging:		
Depreciation of housing properties	2,905	2,340
Accelerated depreciation on housing components	133	107
Depreciation of other tangible fixed assets	240	249
Operating lease rentals	111	110
Auditor's remuneration (excluding VAT)		
- for audit services	32	25
- for non-audit services	1	1

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Loans and bank overdrafts	6,608	5,900
Interest payable capitalised on housing properties under construction	(536)	(876)
	6,072	5,024
Capitalisation rate used to determine the amount of finance costs capitalised during the period	2.82%	2.96 %

6 EMPLOYEES

	2014 No.	2013 No.
Average monthly number of employees (full time equivalents):		
Administration	38	38
Development	12	12
Housing, support and care	329	339
	359	389

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:	2014 £'000	2013 £'000
Wages and salaries	11,588	11,567
Social security costs	875	863
Other pension costs	641	456
	13,104	12,886

During the year the Association paid £57,139 (2013: £203,839) in respect of redundancy and severance payments. These values are included within the analysis above.

Information on pensions appears at Note 26.

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

The aggregate emoluments of the executive directors including pension contributions amounted to £626,246 (2013: £661,073). None of the Board members received emoluments. Expenses paid during the year to Board members amounted to £3,364 (2013: £1,696).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £130,013 (2013: £128,214). Pension contributions in the year were £9,840 (2013: £9,695).

The aggregate amount of compensation payable to directors for loss of office during the year was £nil (2013: £25,671).

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	2014 No	2013 No
£ 60,001 - £ 70,000	1	2
£ 70,001 - £ 80,000	1	1
£ 80,001 - £ 90,000	1	1
£ 90,001 - £100,000	1	2
£100,001 - £110,000	2	1
£120,001 - £130,000	-	1
£130,001 - £140,000	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 £'000	Properties in the course of completion Social Rent £'000	Properties in the course of completion Shared Owner £'000	Shared Ownership properties £'000	Total £'000
COST					
As at 1 April 2013	305,072	19,305	7,868	44,870	377,115
Additions	107	25,799	7,984	-	33,890
Properties completed	12,427	(12,427)	(5,618)	5,618	-
Components capitalised	1,421	-	-	-	1,421
Disposals	(534)	(1,136)	-	(1,147)	(2,817)
As at 31 March 2014	318,493	31,541	10,234	49,341	409,609
Less: Depreciation					
As at 1 April 2013	15,192	-	-	831	16,023
Charge for the year	2,670	-	-	234	2,904
Disposals	(205)	-	-	(33)	(238)
As at 31 March 2014	17,657	-	-	1,032	18,689
Depreciated cost at 31 March 2014	300,836	31,541	10,234	48,309	390,920
Depreciated cost at 31 March 2013	289,880	19,305	7,868	44,039	361,092
SOCIAL HOUSING AND OTHER CAPITAL GRANTS					
As at 1 April 2013	121,299	3,829	170	14,341	139,639
Received in year	-	3,153	10	-	3,163
Properties completed	208	(208)	(170)	170	-
Disposals	(90)	-	-	(293)	(383)
As at 31 March 2014	121,417	6,774	10	14,218	142,419
NET BOOK VALUE					
As at 31 March 2014	179,419	24,767	10,224	34,091	248,501
As at 31 March 2013	168,581	15,476	7,698	29,698	221,453

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

Expenditure on works to existing properties:	2014 £'000	2013 £'000
Components capitalised	1,421	1,000
Amounts charged to income and expenditure account	332	681
	1,753	1,681

8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

Housing properties book value, net of depreciation, comprises:	2014 £'000	2013 £'000
Freehold land and buildings	342,850	314,068
Long leasehold land and buildings	48,070	47,024
	390,920	361,092

Additions to properties include:	2014 £'000	2013 £'000
Development overheads capitalised	1,307	1,313
Capitalised interest	536	876

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 2013	6,008	144	214	419	65	6,850
Additions	12	37	1	148	-	198
Disposals	-	(4)	-	-	(30)	(34)
As at 31 March 2014	6,020	177	215	567	35	7,014
Less: Depreciation						
As at 1 April 2013	454	35	135	370	36	1,030
Charged in year	114	15	38	66	7	240
Released on disposal	-	-	-	-	(30)	(30)
As at 31 March 2014	568	50	173	436	13	1,240
Net book value						
As at 31 March 2014	5,452	127	42	131	22	5,774
As at 31 March 2013	5,554	109	79	49	29	5,820

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	2014
	£'000
Balance 1 April 2013	2,371
Revaluation in year	(166)
Balance 31 March 2014	2,205

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

(b) Community Meeting Point Harpenden

The Trustees of Community Meeting Point Harpenden (CMP), on 2 June 2003, signed a declaration of trust in favour of the Association. The effect of this was to make CMP a subsidiary of the Association and a related party with effect from that date. All Trustees (currently three) are appointed by Hightown and sign a declaration of Trust. CMP is a company limited by guarantee no. 3863736 and a registered charity no.1080258.

CMP has not been consolidated within the financial statements, as its results are not considered material. Permission has been granted for this exclusion from the Registrar of Friendly Societies operating under the Prudential Regulation Authority.

The unaudited results for CMP for the year ended 31 March 2014 are as follows:

	2014	2013
	£'000	£'000
Income and Expenditure:		
Incoming resources	118	140
(Deficit)/Surplus for the year	(18)	2
Balance Sheet:		
Net assets	56	74

CMP and Hightown have signed an agreement to transfer the assets of CMP to Hightown with effect from 1 April 2014. CMP will become inactive and the charity will be dissolved.

11 PROPERTIES AWAITING SALE

	2014	2013
	£'000	£'000
Shared Ownership properties awaiting sale	1,667	3,317
Vacant properties awaiting sale	219	432
	1,886	3,749

	No.	No.
Shared Ownership properties awaiting sale	21	51
Vacant properties awaiting sale	1	2
	22	53

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

12 DEBTORS

	2014 £'000	2013 £'000
Due within one year		
Rent and service charges receivable	1,011	802
Less: Provision for bad and doubtful debts	(785)	(595)
	226	207
Estate service charges recoverable	526	389
Revenue grants receivable	950	751
Other debtors	52	22
Prepayments and accrued income	1,320	833
	3,074	2,202

13 BANK AND CASH

	2014 £'000	2013 £'000
Bank accounts held on trust (see accounting policies)	945	807
Other bank accounts	15,503	6,378
Cash in hand	1	1
	16,449	7,186

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Debt (note 16)	1,313	2,600
Trade creditors	1,288	1,103
Rent and service charges received in advance	966	927
Revenue grants received in advance	255	405
Other taxation and social security	242	262
Other creditors	212	197
Development and works retentions	5,027	3,109
Accruals and deferred income	1,202	1,054
	10,505	9,567

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000	2013 £'000
Debt (note 16)	208,818	184,585
Recycled Capital Grant Fund (note 24)	569	260
Premium on THFC Loan Issue	3,651	3,796
Leaseholder Sinking Funds	76	62
Leaseholder Trust Funds	800	628
Development and works retentions	277	62
	214,191	189,393

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

	2014 £'000	2013 £'000
Bank loans		
Due within one year	1,610	2,801
Between one and two years	1,690	1,607
Between two and five years	58,567	31,583
After five years	150,281	153,035
Total after one year	210,538	186,225
Total	212,148	189,026
Unamortised loan costs		
Due within one year	(297)	(201)
Between one and two years	(297)	(201)
Between two and five years	(824)	(561)
After five years	(599)	(878)
Total after one year	(1,720)	(1,640)
Total	(2,017)	(1,841)
Total		
Due within one year	1,313	2,600
Between one and two years	1,393	1,406
Between two and five years	57,743	31,022
After five years	149,682	152,157
Total after one year	208,818	184,585
Total	210,131	187,185

All loans are secured by fixed charges on individual housing properties and the central office building. The loans are repayable at intervals varying from quarterly to annually. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2013: 2016 to 2039).

Fixed interest rates payable at 31 March 2014 averaged 5.64% (2013: 5.64%) ranging from 4.4% to 10.5% (2013: 4.4%-10.5%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2013/14 was 3.12% (2012/13 3.25%).

17 SHARE CAPITAL

Shares of £1 each issued and fully paid	2014 No.	2013 No.
As at 1 April	33	37
Shares issued	2	-
Shares surrendered during the year	0	(4)
As at 31 March	35	33

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 2013	465	126	42,977	43,568
Surplus for the year 2013/14	-	-	9,538	9,538
Actuarial gain relating to pension scheme	-	-	13	13
Deficit on revaluation of investment	(166)	-	-	(166)
As at 31 March 2014	299	126	52,528	52,953

The Restricted Reserve represents monies bequeathed to the Association for the benefit of St. Claire's Residential Home, St.Albans.

19 FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE	2014 £'000	2013 £'000
Expenditure contracted for but not provided in the accounts	59,261	30,416
Expenditure authorised by the Board but not contracted	26,108	78,658

At 31 March 2014 the Association has total undrawn committed loan facilities of £33 million (2013: £28.0 million). These financial commitments will be financed by use of the above loan facilities (£33 million), social housing grant (£2.4 million), first tranche shared ownership sales (£8.9 million), and the balance from 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:

	2014 £'000	2013 £'000
Office equipment and vehicles:		
- Within one year	-	7
- Between one and two years	42	-
- Between two and five years	50	83
- After five years	1	-
	93	90

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

	2014 £'000	2013 £'000
Operating surplus	14,367	11,571
Depreciation of tangible fixed assets	3,145	2,589
Accelerated depreciation of Components	133	107
Amortisation of THFC premium	(145)	(145)
	17,500	14,122
Working capital movements:		
Stock of properties for sale	1,863	(1,032)
Debtors	(872)	202
Creditors	3,123	(4,331)
Net cash inflow from operating activities	21,614	8,961

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2014 £'000	2013 £'000
Increase (decrease) in cash	9,263	(1,917)
Cash inflow from increase in debt	(23,122)	(10,633)
Change in net debt from cash flows	(13,859)	(12,550)
Change in net debt from non-cash flows	176	(38)
Net debt at 1 April	(179,999)	(167,411)
Net debt at 31 March	(193,682)	(179,999)

22 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2013 £'000	Cash Flow £'000	Non-Cash Movement £'000	31 March 2014 £'000
Cash at bank and in hand	7,186	9,263	-	16,449
Loans	(187,185)	(23,122)	176	(210,131)
Net debt	(179,999)	(13,859)	176	(193,682)

The non-cash movement represents the in-year movement in unamortised 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:

	2014 £'000	2013 £'000
Floating rate	137,369	113,939
Fixed rate	74,779	75,087
	212,148	189,026
Loan costs	(2,017)	(1,841)
Total (note 16)	210,131	187,185

The fixed rate financial liabilities have a weighted average interest rate of 5.64% (2013: 5.64%) and the weighted average period for which it is fixed is 21.6 years (2013: 22.6 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.

The debt maturity profile is shown in note 16.

24 RECYCLED CAPITAL GRANT FUND

	2014 £'000	2013 £'000
Opening balance 1 April	260	96
Additions:		
Grant recycled	384	174
Interest accrued	-	-
Drawdown:		
New build	(75)	(10)
Closing balance 31 March	569	260

25 RELATED PARTIES

(a) 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

Two Board members are employees of local authorities:

Monica Cashman	Welwyn Hatfield Community Housing Trust (Welwyn Hatfield Borough Council ALMO)
Althea Mitcham	London Borough of Camden

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.

(b) Community Meeting Point Harpenden
The Association has a subsidiary charity Community Meeting Point Harpenden. During the year the Charity paid the Association £15,600 for provision of management services and £24,296 for the rent of premises used by the Charity.

Mike Bailey, Tony Keen and Mary Pedlow are the sole Trustees of Community Meeting Point Harpenden.

26 PENSIONS

Hightown Praetorian & Churches Housing Association (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 Praetorian & Churches 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.

SHPS 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.

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 at any one time. An open benefit structure is one which new entrants are able to join.

Hightown currently 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 2013 to 31 March 2014 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 the balance sheet date there were 364 active members of the Scheme employed by Hightown 98 of whom were in the Defined Benefit sections. The annual pensionable payroll in respect of all members was £7,225,867. Hightown continues to offer membership of the Defined Contribution Scheme to its employees under auto-enrolment legislation.

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 has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 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.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.

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 Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2013. At this date the estimated employer debt for Hightown was £17,943,595 (30 September 2012: £17,596,049).

Deficit Recovery Plan Payments

During 2013/14 Hightown made payments into the pension fund under the above Deficit Recovery Plans as follows:

Scheme Valuation Date	Deficit Recovery Payments 2013/14 £	Deficit Recovery Payments due 2014/15 £	Annual Increase	Payments Cease
2008 Valuation	237,284	248,436	4.7%	30 September 2023
2011 Valuation	124,829	128,574	3.0%	30 September 2026
Total paid /due	362,113	377,010		

The total future sum payable by Hightown under the deficit recovery plan from 1 April 2014 is £4,192,309.

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 2 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 has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date 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). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

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 2012. As of this date the estimated employer debt for Hightown was £78,456 including Series 3 liabilities in the calculation or £97,431 excluding Series 3 liabilities from the calculation.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,196 pa rising by 3% per annum compound for 10 years from 1 April 2013. The total sum payable from 1 April 2014 is £54,368.

C. BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

The LGPS is a defined benefit statutory scheme 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 2014 are based on final salary and length of service on retirement.

Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

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 Hightown'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 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 the Employer 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 2014 amounting to £6,394 (2013: £8,264) at a contribution rate of 17.8% (2013 16.9%) of pensionable salaries.

This is the second 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 for 2013 only, owing to the lack of availability of complete comparatives for 2012.

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 2014.
- Estimated Fund returns based on assets used for the purpose of the funding valuation as at 31 March 2013, a Fund asset statement as at 31 December 2013, and market returns (estimated where necessary) thereafter for the period to 31 March 2014.
- Estimated Fund income and expenditure in respect of Hightown for the period to 31 March 2014.
- Details of any new early retirements for the period to 31 March 2014 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service costs.

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 2014 is calculated using an estimate of the average total pensionable payroll during the year. The estimated average total pensionable payroll during the year is £36,000. The projected service cost for the year ending 31 March 2015 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 2014.

Assets
The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 7%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Hightown Praetorian & Churches Housing Association as at 31 March 2014 is as follows:

Asset Share – bid value	31 March 2014		31 March 2013	
	£'000	%	£'000	%
Gilts	26	5%	23	4%
UK Equities	101	19%	401	70%
Overseas Equities	217	41%	n/a	n/a
Private Equity	42	8%	n/a	n/a
Other bonds	53	10%	52	9%
Property	42	8%	46	8%
Cash	5	1%	6	1%
Alternative assets	n/a	n/a	46	8%
Hedge Funds	21	4%	n/a	n/a
Absolute return portfolio	21	4%	n/a	n/a
Total	529	100%	574	100%

Bid values have been estimated where necessary. The final asset allocation of the Fund assets as at 31 March 2014 is likely to be different from that shown due to estimation techniques. In previous reports equities were not split out and Hedge Funds and Absolute Return Portfolio were labelled as Alternative Assets.

Based on the above, Hightown's share of the assets of the Fund is less than 1%.

Unfunded Benefits
There are no unfunded benefits in payment.

Valuation Approach
To assess the value of Hightown's liabilities at 31 March 2014, 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 Scheme as well as pensions (and lump sums) that may be payable in future to members of the Scheme 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 2014 without completing a full valuation. However, the approach of rolling forward the previous valuation data to 31 March 2014 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
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 2014	31 March 2013
Retiring today			
	Males	23.6	20.1
	Females	26.0	24.1
Retiring in 20 years			
	Males	25.8	22.1
	Females	28.3	26.0

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement
- Active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.

Financial Assumptions

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

These assumptions are set with reference to market conditions at 31 March 2014. The estimated duration of the employer liability is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond 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 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, specifically the 19 year point on the BoE spot inflation curve. This approach is consistent with the approach used at the last accounting date.

This measure has historically overestimated future increases in the RPI and so in the past we have made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so we have made no deduction at 31 March 2014. The RPI assumption is therefore 3.6%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.8%. We believe that this is 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 we have allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Expected Return On Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2014 for the period to 31 March 2015).
The following expected returns have been adopted.

Asset Class	1 April 2014	1 April 2013
	% pa	% pa
Gilts	3.6%	3.0%
UK Equities	7.0%	6.3%
Overseas Equities	7.0%	n/a
Private Equity	7.0%	n/a
Other bonds	4.2%	4.1%
Property	5.8%	5.8%
Cash	3.4%	0.5%
Alternative assets	7.0%	6.3%
Hedge Funds	7.0%	n/a
Absolute return portfolio	7.0%	n/a
Total	6.4%	5.9%

Past Service Costs/Gains, Curtailments and Settlements.
Past service costs can arise when the Employer awards additional discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain. No amounts have been included for past service costs/gains, curtailments or settlements.

Amounts Recognised In The Balance Sheet.

Net pensions assets as at	31 March 2014	31 March 2013
	£'000	£'000
Present value of funded obligation	769	827
Fair value of scheme assets (bid value)	529	574
Net liability in balance sheet	240	253

Amounts Recognised In The Income And Expenditure Account.

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Current service cost	10	22
Interest on obligation	32	68
Expected return on Scheme assets	(32)	(73)
Total	10	17
Actual return on Scheme assets	36	80

Reconciliation Of Opening & Closing Balances Of The Present Value Of The Defined Benefit Obligation.

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Opening fair value of scheme assets	827	603
Current Service cost	10	22
Interest cost	32	68
Actuarial losses (gains)	(43)	157
Estimated benefits paid net of transfers in	(59)	(30)
Contributions by scheme participants	2	7
Closing Defined Benefit obligation	769	827

Reconciliation Of Opening And Closing Balances Of The Fair Value Of Scheme Assets.

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Opening fair value of Scheme assets	574	498
Expected return on Scheme assets	32	73
Actuarial gains (losses)	(27)	9
Contributions paid by employer included unfunded	6	17
Contributions by Scheme participants	2	7
Estimated benefits paid net of transfers in and including unfunded	(59)	(30)
Fair value of Scheme assets at end of year	529	574

Reconciliation Of Opening And Closing Surplus.

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Deficit at beginning of the year	(253)	(105)
Current Service Cost	(10)	(2)
Employer contributions	6	17
Other finance income	-	5
Actuarial gains (losses)	17	(148)
Deficit at end of the year	(240)	(253)

Sensitivity Analysis

The flowing table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	755	769	783
Projected service cost	11	11	11

Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	769	769	769
Projected service cost	11	11	11

Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	783	769	755
Projected service cost	11	11	11

Adjustment to mortality age rating assumption	+1 year	None	-1 year
	£'000	£'000	£'000
Present value of total obligation	742	769	796
Projected service cost	11	11	11

Amounts For The Current And Previous Periods

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Defined Benefit Obligation	(769)	(827)
Scheme assets	529	574
Deficit	(240)	(253)
Experience adjustments on Scheme liabilities	68	-
Percentage of liabilities	8.8%	-
Experience adjustments on Scheme assets	(27)	9
Percentage of assets	(5.0%)	1.6%
Cumulative Actuarial Gains and Losses	(97)	(113)

Amounts Recognised In The Statement Of Total Recognised Surpluses And Deficits (STRSD)

	Year to 31 March 2014 £'000	Period to 31 March 2013 £'000
Actual return less expected return on pension scheme assets	4	n/a
Experience gains and losses	38	n/a
Changes in assumptions underlying the present value of the Scheme liabilities	(25)	n/a
Actuarial gains (losses) in pension scheme	17	(253)
Actuarial gains (losses) recognised in STRSD	17	(253)

Analysis Of Projected Amounts To Be Charged To Operating Surplus For The Year To 31 March 2015

	Year to 31 Mar 2015 £'000
Service cost	11
Interest cost	34
Return on assets	(32)
Total	13
Employer contributions	7

D. NHS PENSION SCHEME

There are 2 active members in the NHS scheme relating to staff 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.

Hightown Praetorian
& Churches
Housing Association

Hightown Praetorian and Churches Housing Association Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2013

Industrial and Provident Societies Registration No. 18077R
Homes and Communities Agency Registration No. L2179

CONTENTS

PURPOSE AND DIRECTION

MISSION

To provide high quality affordable housing, support and services for people in housing need.

VISION

To retain Hightown Praetorian and Churches Housing Association's position as a highly regarded regional developer and manager of housing and support services.

VALUES

- **OUR RESIDENTS AND PEOPLE USING OUR SERVICES COME FIRST**.
  We aim to meet their individual and collective expectations through effective consultation and involvement and regular service reviews.

- **WE TREAT PEOPLE WITH RESPECT**.
  We value diversity and provide services and support in a way which promotes independence and choice.

- **WE VALUE OUR STAFF**.
  We seek to support their personal development so as to improve the services we provide.

- **WE PROVIDE COST EFFECTIVE SERVICES** without compromising standards or safety.

- **WE SEEK AND VALUE INPUT FROM OUR PARTNERS AND STAKEHOLDERS**.
  We develop homes and services to meet shared objectives and responsibilities.

BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board:		
Chair	Mike Bailey, CBE	
Vice Chairs	Andrew Rose Mary Pedlow	
Other Elected Members	Donald Bell Monica Cashman Philip Day Mohamed Fawzi Peter Fix	Tony Keen Althea Mitcham Richard Ronald
Co-opted Members under rule D5	Brian Ellis Carol Green Cliff Hawkins (from 22 November 2012) Francis Kneller (from 22 November 2012)	

Executive Directors:	
Chief Executive	David Bogle
Secretary	David Skinner
Director of Business Development	George Edkins
Director of Care & Human Resources	Sheelagh Jones
Director of Financial Services	David Skinner
Director of Operations	Susan Wallis
Director of Systems & Processes	Mark Carter (from 10 September 2012)
Director of HR & Systems	Paul Elleray (to 31 October 2012)

Registered Office:	Hightown House Maylands Avenue Hemel Hempstead Herts HP2 4XH	
External Auditor:	Baker Tilly UK Audit LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes, Bucks MK9 1BP	
Principal Solicitors:	Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN	Winckworth Sherwood LLP Minerva House 5 Montague Close London SE1 9BB
Principal Bankers:	LloydsTSB Bank Plc Public & Community Sector 25 Gresham Street London EC2V 7HN	

Registered as a charitable social landlord under the Industrial and Provident Societies Acts No. 18077R.

Registered as a Registered Provider with the Homes and Communities Agency No. L2179.

THREE YEAR FINANCIAL SUMMARY

For the year ended 31 March	2013 £'000	2012 £'000	2011 £'000
ASSOCIATION INCOME AND EXPENDITURE			
Turnover from continuing activities	43,671	33,339	31,830
Operating surplus	11,571	8,220	7,050
Surplus for the year before transfers	6,691	4,668	4,306
ASSOCIATION BALANCE SHEET			
Housing Properties at cost less depreciation	361,092	339,986	293,610
SHG and other capital grants	139,602	136,142	128,156
Total debt	189,026	178,393	161,026
Reserves	43,568	37,026	31,997
ACCOMMODATION FIGURES			
	No.	No.	No.
Total housing stock owned at year end :			
General Needs – units	2,505	2,234	2,071
Leasehold and shared ownership – units	1,105	971	951
Special Needs – bed spaces	678	688	618
Total	4,288	3,893	3,640
RATIOS AND STATISTICS			
Operating surplus as % of turnover	26.5%	24.7%	22.2%
Surplus for the year before transfers as % of turnover	15.3%	14.0%	13.5%
Interest cover (Operating surplus, interest receivable and housing property depreciation divided by interest payable plus capitalised interest)	237%	196%	254%
Gearing (total loans as % of housing properties at cost)	49.6%	50.4%	52.8%
Adjusted Gearing (total loans less cash as % of housing properties at cost)	48.4%	48.1%	43.8%

CHAIRMAN'S STATEMENT

For the year ended 31 March 2013

I am pleased to be able to report on another year of excellent performance and results.

Overall, all parts of the Association's business are in good financial shape and we made a healthy financial surplus which will, of course, be invested in more new affordable housing for people in housing need in Hertfordshire, Buckinghamshire and Bedfordshire. The surplus reduces the amount of money we need to borrow to build these homes and improves the key financial ratios that determine our credit worthiness.

I am delighted to be able to report that Hightown completed 425 new affordable homes in 2012/13, which is far and away our best ever annual performance. These results reflect a lot of hard work over the two, three and even four years that it takes to develop and build new housing and further work to let or, in the case of shared ownership homes, sell the properties and bring them in to management.

Not only were the new homes for rent let very quickly by our housing staff (in 3.5 days on average) but our shared ownership sales team also delivered excellent results by selling 107 homes over the course of the year (over two each week). Our lettings performance for re-letting existing homes was also very good (an average of 13.5 days). I was also pleased to see general needs rent arrears reduce to 4.1%.

At its annual Strategy meeting, the Board reaffirmed the important part that our Care and Supported Housing services play in determining Hightown's overall business goals and vision. Despite the financial pressures (see below), we were pleased to be able to maintain our existing support services during the year while continuing to win new business.

There are, of course, challenges ahead especially in the current economic environment. We will be tracking the impact of the Government's welfare reform measures while doing all we can to mitigate the risks and minimise the effects both on our business and on our residents and service users.

We hope that we can be given some early reassurance that future rent regimes and grant settlements (especially post 2015) will allow Hightown to continue to developing new affordable housing. And we hope that our two main commissioners, Hertfordshire and Buckinghamshire County Councils, will be able to provide reasonable levels of funding to let us continue to provide housing and support to our existing service users in our care homes, supported housing schemes and other projects for vulnerable people.

I am most grateful to the Hightown Board – who all give their time voluntarily – for their support and contributions over the past year. We were pleased to welcome two new members to the Board this year, Frances Kneller and Cliff Hawkins, following an open competition. Good governance forms the solid foundation which underlies Hightown's achievements.

Finally, I would emphasise that Hightown depends on the support of its staff, its partners (especially in the local authorities), its funders and all of its other stakeholders to achieve its objectives of providing new affordable housing and excellent housing and support services. We are most grateful for this continuing support.

Mike Bailey CBE
Chairman
18 July 2013

The Board presents its report and audited financial statements for the year ended 31 March 2013

Principal activities

Hightown Praetorian and Churches Housing Association Limited ('the Association') is a not-for-profit organisation administered by a voluntary Board. The Association operates principally in Hertfordshire and Buckinghamshire. The Association's principal activities are the development and management of social housing, supported housing, care homes and nursing homes.

Performance for the year

Turnover increased by £10.3 million (2012: £1.5 million) on 2011/12 and the Board is pleased to report that the Association has continued to meet its financial targets. By the year-end the Association's reserves stood at £43.6 million (2012: £37.0 million).

The Association spent £35.5 million (2012: £51.1 million) on the acquisition and development of housing properties including shared ownership properties, financed by social housing grant, shared ownership and other property sales receipts, bank loans, and operating cash flow.

Details of changes to the Association's fixed assets are shown in notes 8 to 10 to the financial statements.

Treasury Management Policy

The Association manages its exposure to interest rate risk through its treasury management policy. The policy sets parameters for both fixed and variable rate debt with fixed rate debt operating within a range of 35% - 50% of total debt and the balance held at variable rate. The proportion of fixed rate debt at 31 March 2013 was 39.7% (2012: 42.3%). This includes an embedded callable fixed option of £10m. The Association has no free standing derivatives and no exposure to margin calls on such products.

By retaining a proportion of debt at variable rate, the Association is able to benefit from current low variable rates but remains able to fix borrowings within existing loan facilities if required by changing market conditions. The policy is reviewed regularly by the Finance & Audit Committee and the Board.

Value for Money

Hightown aims to deliver cost effective services without compromising standards. The Board has produced a Value For Money Strategy setting out how the Association will achieve and monitor its Value For Money performance.

In addition to this commentary, the Association will publish a self-assessment of its performance in delivering Value for Money later this year.

<u>Cost of services and benchmarks</u>
Hightown believes that comparing cost and performance against its peers provides an important external benchmark for the Association. It has used HouseMark (a benchmarking club) to measure performance for a number of years and also uses the residents STAR survey results to assess service delivery.

The latest HouseMark data for 2011/12 confirms that Hightown is a strong performer amongst its peers with upper quartile performance in many key areas. It has also reduced its costs per property in each of the last three years:

Performance Indicator	Hightown results			Peer Group* HouseMark 2011/12	
Cost per property of:	2012/13	2011/12	2010/11	Upper Quartile	Median
Total Housing Management	£390	£447	£470	£454	£555
Direct Housing Management	£274	£307	£329	£260	£307
Direct Rent Arrears & Collection	£83	£88	£92	£64	£79
Direct Resident Involvement	£39	£41	£51	£47	£63
Direct Anti Social Behaviour	£32	£47	£52	£27	£39
Direct Lettings	£43	£45	£45	£34	£43
Direct Tenancy Management	£77	£87	£89	£51	£73

In terms of operational performance Hightown also performs well:

General Needs Housing Management Performance	Hightown 2012/13	Hightown 2011/12	Hightown 2010/11	HouseMark 2011/12 (Upper Quartile)
Void Loss - % of income lost due to empty homes	0.45%	0.46%	0.43%	0.69%
Average no of days taken to relet a home excluding major works	13 days	13 days	17 days	22 days
Arrears (rent owed) - % of rent due	4.06%	4.61%	4.55%	3.06%
Arrears attributable to unpaid housing benefit	1.72%	2.8%	2.0%	0.3%

Value For Money gains

During 2012/13 Hightwon delivered 425 new homes and a net financial surplus of £6.691 million, £1.9 million more than budgeted mainly due to savings in management costs and interest. Hightown wishes to retain a healthy annual surplus each year to allow it to continue to invest in new build properties and to reduce the amount for new borrowing required and save interest in future. In 2013/14 Hightown is expecting to deliver 241 new homes and a net financial surplus of £5.298 million. Each year the Board set targets for the delivery of key performance indicators and monitor the delivery of results.

Resource decisions

The Board determines the allocation of scarce and competing resources as part of the business planning, budget and development approval processes. Development investment opportunities are reviewed by the Development Committee to ensure that they meet the Association's objectives, the required benchmarks and deliver Value for Money.

Return on assets
Hightown seeks to ensure that it makes good use of its assets by monitoring the following key financial indicators, benchmarking performance against its peers where possible:

	Hightown 2012/13	Hightown 2011/12	Hightown 2010/11	HouseMark median 2011/12 *
Return on assets (Operating surplus / average total assets)	4.9%	3.8%	4.0%	Not available
Net Surplus (after interest)	£6.691m	£4.668m	£4.306m	Not available
Debt per unit owned	£46,036	£47,875	£48,806	£16,909
Average cost of borrowing	3.25%	3.1%	3.0%	4.5%
Growth in Turnover	31.6%	4.2%	3.7%	Not available
Turnover to total operating assets	11.2%	8.9%	8.7%	Not available
Growth in total assets	4.9%	8.4%	32.2%	Not available
General Needs Major works cyclical costs per property (including overheads)	£755	£1,044	£887	£1,020
General Needs Responsive and void repairs per property (including overheads)	£572	£571	£589	£800

** HouseMark data 2011/12 (National, Traditional HAs less than 5000 homes)*

Further performance data appears on page 3.

In delivering its services, Hightown also delivers a number of non-financial benefits for both its residents and the wider society. Examples will be available in the self-assessment document published separately.

Evidence of improved performance
The Board receives the results of the HouseMark benchmarking data each year along with management explanations of the results. This tracks the changes in performance year on year and relative to peers. It also informs the Board on how decisions taken impact on the key performance data of the Association. This data is shared with residents through the Housing Scrutiny Committee and in publications.

Value for money options
All development schemes are appraised against a minimum performance criteria before approval. In the budget setting and business planning process the Board and Executive consider the impact of possible alternative service options. All Board reports for decision contain reference to the value for money implications, where applicable.

Board assurance
The Board receives regular management information from the Executive through the management accounts, key performance indicators reports, the monthly information reports, and the benchmarking reports. The production of this data is subject to internal audits undertaken by an independent auditor. The Board also receives annual reports on value for money in maintenance procurement and in care & supported housing activities.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 2. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

All the Board members served throughout the year unless otherwise stated.

The executive directors are listed above. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

Employees

At 31 March 2013, the Association had 389 (2012: 400) full time equivalent employees (excluding "bank" staff who cover temporary vacancies and staff leave) most of whom are engaged in providing front line housing and support services to our residents. The Association is accredited for Investors in People and continues to invest in the training of its employees. Our aim is to ensure that our staff are given the support necessary to enable them to provide high quality, professional services.

The Association keeps its staff informed about the Association's objectives, progress and activities through regular office and departmental meetings. A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff.

The Association is committed to equality and diversity for all its employees and complies with all relevant legislation and best practice.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

National Housing Federation Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the National Housing Federation (NHF) Code of Governance (*Excellence in Governance: Code for Members* 2010) except in the number of Board members where the Association considers that a larger Board is required for the effective business of the Association and to provide for adequate succession planning The ways in which we seek to achieve good Housing Association governance are outlined below.

NHF Excellence in Standards of Conduct

The Association has policies and procedures to demonstrate compliance with the NHF *Excellence in Standards of Conduct: Code for Members* 2010.

The Board

The Board currently comprises eleven elected non-executive members and four co-optees. The Board is the governing body of the Association and sets the strategic direction of the Association and monitors performance. The Board meets, formally, every six weeks for regular business. It has six Committees; Governance, Housing Scrutiny, Care and Supported Housing, Development, Finance and Audit, and Remuneration.

The Board is responsible for the Association's strategy and policy framework. Day to day management and implementation of that framework is delegated to the Chief Executive and then to the other executive directors and through them to management staff. The Chief Executive meets regularly with the Chairman between Board meetings and meets bi-weekly with the executive directors.

Board members are usually elected at the Annual General Meeting for a three year term and may serve for a maximum of three consecutive terms. Under the rules, the Board may consist of between seven and twelve elected members and up to five co-optees. The Board may appoint new members during the year but they must retire at the next annual general meeting.

Committees

The Governance Committee - consists of the Chair and six other Board members and usually meets two or three times a year and when required. It reviews and makes recommendations to the Board on the governance of the Association.

The Housing Scrutiny Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its general needs residents and others and reports back to the Board.

The Care and Supported Housing Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its care and supported housing residents and others and reports back to the Board.

The Development Committee - consists of a minimum of three Board members and up to six members in total and meets four times a year. It monitors and reviews the Association's development strategy and programme and reports its conclusions and recommendations to the Board.

The Finance and Audit Committee - consists of a minimum of four Board members and up to six members and meets four times a year and when necessary. It monitors and reviews the financial operations and policies of the Association. It considers the Association's borrowing strategy, including principal terms of individual loans and reports back to the Board. It reviews the effectiveness of the Association's internal control systems and makes recommendations to the Board on audit practice and on the appointment of the internal and external auditors.

The Remuneration Committee - consists of the Board Chair and Vice-Chairs, chairs of other committees, and up to two other Board Members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the remuneration and conditions of service of the senior staff of the Association and on the pay structure and key conditions of service of the staff.

Committee Memberships

The committee memberships are as follows:

Governance
Mike Bailey (Chair)
Donald Bell
Monica Cashman
Tony Keen
Althea Mitcham
Mary Pedlow
Andrew Rose

Housing Scrutiny
Mary Pedlow (Chair)
Monica Cashman
Philip Day
Mohamed Fawzi
Frances Kneller
Richard Ronald

Residents:
Peter Dommett
John Doyle
Kathryn Hallett
Anna Marie Peel
Ragini Shah
Sumy Tharakan

Non-Board member:
Ben Beadle

Care & Supported Housing
Althea Mitcham (Chair)
Mike Bailey
Monica Cashman
Philip Day
Mohamed Fawzi
Carol Green
Frances Kneller

Non-Board member:
Hazel Cannon
Alison Steer

Resident:
Peter Dommett

Development
Andrew Rose (Chair)
Peter Fix
Tony Keen
Cliff Hawkins
Althea Mitcham
Richard Ronald

Non Board member:
Alison Steer

Resident:
Ron Symons

Finance & Audit
Donald Bell (Chair)
Brian Ellis
Peter Fix
Cliff Hawkins
Tony Keen
Mary Pedlow

Resident:
Kathryn Hallett

Remuneration
Mary Pedlow (Joint Chair)
Andrew Rose (Joint Chair)
Mike Bailey
Donald Bell
Monica Cashman
Tony Keen
Althea Mitcham

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the Association, including those not registered with the Homes and Communities Agency.

The system of internal control is designed to manage, rather than eliminate, risk, to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

In meeting its responsibilities the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2012 up to the date of approval of the annual report and financial statements. The Board and the Finance and Audit Committee receives and considers reports from management on these risk management and control arrangements.

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 include:

Identifying and evaluating key risks
The Association's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Control environment and internal controls
The processes to identify and manage the key risks to which the Association is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, 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 Finance and Audit Committee. The Board receives quarterly management accounts and key performance indicators. The Housing Scrutiny Committee, the Care and Supported Housing Committee, the Development Committee and the Finance and Audit Committee regularly receive reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board at each meeting throughout the year. Board members have access to monthly reports from the Chief Executive, the executive directors and the senior managers.

Monitoring arrangements
Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via its Finance and Audit Committee. The arrangements include a rigorous procedure, monitored by the Finance 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.

Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these financial statements the Board has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers - Update 2010" and;
- prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges that it is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements.

Annual General Meeting

The annual general meeting will be held on 11 September 2013.

Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as external auditor will be proposed at the forthcoming annual general meeting.

Approval

The report of the Board was approved on 18 July 2013 and signed on its behalf by:

David Skinner
Secretary
18 July 2013

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

For the year ended 31 March 2013

We have audited the financial statements of Hightown Praetorian and Churches Housing Association for the year ended 31 March 2013 on pages 14 to 43. 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 section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditor

As explained more fully in the Board's Responsibilities Statement set out on page 12, the Board 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 APB's website at *www.frc.org.uk/apb/private.cfm*.

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 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes, Bucks
MK9 1BP

Date: ~~July~~ 2013
8th August.

Hightown Praetorian and Churches Housing Association Limited
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
TURNOVER	*1*	**43,671**	**33,339**
Operating costs	*1*	(32,100)	(25,119)
OPERATING SURPLUS	*1,4*	**11,571**	**8,220**
Surplus on sale of properties & other fixed assets		48	598
Interest receivable and other income		96	139
Interest payable and similar charges	*5*	(5,024)	(4,289)
SURPLUS ON ORDINARY ACTIVITIES	*18*	**6,691**	**4,668**

All activities are continuing.

The notes on pages 17 to 43 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 18 July 2013 and are signed on its behalf by:

Mike Bailey - Chair

Donald Bell - Board Member

David Skinner - Secretary

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

		2013 £'000	2012 £'000
Surplus for the financial year		**6,691**	**4,668**
Actuarial loss relating to pension scheme	*26*	(253)	-
Unrealised surplus on revaluation of investments	*10,18*	104	361
TOTAL RECOGNISED SURPLUSES AND DEFICITS RELATING TO THE YEAR		**6,542**	**5,029**

Hightown Praetorian and Churches Housing Association Limited

BALANCE SHEET

As at 31 March 2013

	Notes	2013 £'000	2012 £'000
TANGIBLE FIXED ASSETS			
Housing properties	8	361,092	339,986
Social housing and other grants	8	(139,639)	(136,142)
		221,453	203,844
Investments	10	2,371	2,267
Other tangible fixed assets	9	5,820	5,959
TOTAL FIXED ASSETS		**229,644**	**212,070**
CURRENT ASSETS			
Properties awaiting sale	11	3,749	2,717
Debtors	12	2,202	2,404
Cash at bank and in hand	13	7,186	9,103
		13,137	**14,224**
CREDITORS: Amounts falling due within one year	14	**(9,567)**	**(13,792)**
NET CURRENT ASSETS		**3,570**	**432**
TOTAL ASSETS LESS CURRENT LIABILITIES		**233,214**	**212,502**
CREDITORS: Amounts falling due after more than one year	15	**189,393**	**175,476**
PENSION LIABILITY	26	**253**	-
		189,646	**175,476**
CAPITAL AND RESERVES			
Share capital	17	-	-
Revaluation reserve	18	465	361
Restricted reserve	18	126	126
Revenue reserve	18	42,977	36,539
ASSOCIATION'S RESERVES	18	**43,568**	**37,026**
		233,214	**212,502**

The notes on pages 17 to 43 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 18 July 2013 and are signed on its behalf by:

Mike Bailey - Chair

Donald Bell - Board Member

David Skinner - Secretary

Hightown Praetorian and Churches Housing Association Limited

CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*20*	**8,961**	**13,575**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		96	151
Interest paid		(5,504)	(5,537)
Net cash outflow from returns on investment and servicing of finance		**(5,408)**	**(5,386)**
CAPITAL EXPENDITURE			
Purchase and construction of housing properties		(23,314)	(51,146)
Social Housing Grant received		5,108	5,592
Purchase of other fixed assets		(94)	(147)
Sales of housing properties		2,197	965
Sales of other fixed assets		-	268
Net cash outflow from capital expenditure		**(16,103)**	**(44,468)**
Net cash outflow before use of liquid resources and financing		**(12,550)**	**(36,279)**
FINANCING			
Loans received		17,000	17,608
Loans repaid		(6,367)	(241)
Net inflow from financing		**10,633**	**17,367**
DECREASE IN CASH IN THE PERIOD	*21*	**(1,917)**	**(18,912)**

The notes on pages 17 to 43 form part of these financial statements.

ACCOUNTING POLICIES

For the year ended 31 March 2013

LEGAL STATUS

Hightown Praetorian & Churches Housing Association Limited (the Association) is registered under the Industrial and Provident Societies Act 1965 and is 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,

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. The notional principal is not reflected in the Association's balance sheet. 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 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, then these components are 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".

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		2013			2012	
	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Operating costs £'000	Operating surplus £'000
SOCIAL HOUSING LETTINGS (Note B)	**30,505**	**(19,543)**	**10,962**	**27,093**	**(19,065)**	**8,028**
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	1,099	(1,099)	-	1,102	(1,102)	-
Management services	318	(309)	9	322	(292)	30
Aborted development costs	-	(8)	(8)	-	(62)	(62)
Other	183	(40)	143	344	(43)	301
Current asset property sales	11,026	(10,501)	525	3,961	(3,958)	3
	12,626	**(11,957)**	**669**	**5,729**	**(5,457)**	**272**
NON-SOCIAL HOUSING ACTIVITIES						
Registered nursing homes	488	(529)	(41)	459	(517)	(58)
Charity Shop	52	(71)	(19)	58	(80)	(22)
	540	**(600)**	**(60)**	**517**	**(597)**	**(80)**
TOTAL	**43,671**	**(32,100)**	**11,571**	**33,339**	**(25,119)**	**8,220**

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

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

	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	2013 Total £'000	2012 Total £'000
INCOME FROM SOCIAL HOUSING LETTINGS						
Rent receivable net of identifiable service charges	13,639	2,704	1,449	161	17,953	15,083
Charges for support services	26	715	-	-	741	753
Service charge income	1,136	1,228	439	-	2,803	2,345
Other revenue grants	2	5,967	4	3,035	9,008	8,912
TURNOVER FROM SOCIAL HOUSING LETTINGS	**14,803**	**10,614**	**1,892**	**3,196**	**30,505**	**27,093**
EXPENDITURE ON SOCIAL HOUSING LETTINGS						
Management	(1,801)	(6,624)	(145)	(2,635)	(11,205)	(10,835)
Service charge costs	(987)	(1,269)	(341)	(379)	(2,976)	(2,756)
Routine maintenance	(1,470)	(266)	(11)	(39)	(1,786)	(1,823)
Planned maintenance	(217)	(36)	(3)	(1)	(257)	(226)
Major repairs expenditure	(602)	(118)	(1)	(29)	(750)	(985)
Bad debts	(74)	(39)	(9)	-	(122)	25
Depreciation of housing properties	(2,004)	(265)	(155)	(23)	(2,447)	(2,465)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**(7,155)**	**(8,617)**	**(665)**	**(3,106)**	**(19,543)**	**(19,065)**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**7,648**	**1,997**	**1,227**	**90**	**10,962**	**8,028**
Void losses	(93)	(193)	(204)	(14)	(504)	(412)

2 SUPPORTED HOUSING MANAGED BY AGENCIES

The Association has 109 supported housing tenancies (2012:114) that are managed on its behalf under management agreements by other bodies who 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

	2013 No.	2012 No.
At the end of the year accommodation in management for each class of accommodation was as follows:		
<u>Social housing</u>		
General needs housing (including housing for older people)	2,505	2,234
Supported housing (including agency managed)	605	591
Shared ownership	551	422
Leasehold	554	549
Residential care home bed spaces	65	89
Total in management	4,280	3,885
<u>Non-social housing</u>		
Registered nursing home bed spaces	8	8
Total owned and managed	4,288	3,893

4 OPERATING SURPLUS

	2013 £'000	2012 £'000
This is arrived at after charging:		
Depreciation of housing properties	2,340	2,465
Accelerated depreciation on housing components	107	100
Depreciation of other tangible fixed assets	249	234
Operating lease rentals	110	97
Auditor's remuneration (excluding VAT)		
Baker Tilly UK Audit LLP		
- for audit services	25	28
- for non-audit services	1	1

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Loans and bank overdrafts	5,900	5,531
Interest payable capitalised on housing properties under construction	(876)	(1,242)
	5,024	4,289
Capitalisation rate used to determine the amount of finance costs capitalised during the period	2.96 %	3.13%

6 EMPLOYEES

	2013 No.	2012 No.
Average monthly number of employees (full time equivalents):		
Administration	38	39
Development	12	11
Housing, support and care	339	350
	389	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.

Employee costs:	2013 £'000	2012 £'000
Wages and salaries	11,567	10,503
Social security costs	863	832
Other pension costs	456	467
	12,886	11,802

During the year the Association paid £203,839 (2012: £52,558) in respect of redundancy and severance payments. These values are included within the analysis above.

Information on pensions appears at Note 26.

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

The aggregate emoluments of the executive directors including pension contributions amounted to £661,073 (2012: £645,108). None of the Board members received emoluments. Expenses paid during the year to Board members amounted to £1,696 (2012: £2,130).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £128,214 (2012: £125,248). Pension contributions in the year were £9,695 (2012: £9,551).

The aggregate amount of compensation payable to directors for loss of office during the year was £25,671 (2012: £20,400).

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	2013 No	2012 No
£ 60,001 - £ 70,000	2	1
£ 70,001 - £ 80,000	1	1
£ 80,001 - £ 90,000	1	-
£ 90,001 - £100,000	2	3
£100,001 - £110,000	1	1
£120,001 - £130,000	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 £'000	Properties in the course of completion £'000	Completed Shared Ownership properties £'000	Total £'000
COST				
As at 1 April 2012	267,916	52,145	33,740	353,801
Additions	-	23,933	-	23,933
Properties completed	36,904	(48,905)	12,001	-
Components capitalised	1,000	-	-	1,000
Transfer to current assets	(432)	-	-	(432)
Disposals	(316)	-	(871)	(1,187)
As at 31 March 2013	305,072	27,173	44,870	377,115
Less: Depreciation				
As at 1 April 2012	13,121	-	694	13,815
Charge for the year	2,186	-	154	2,340
Disposals	(115)	-	(17)	(132)
As at 31 March 2013	15,192	-	831	16,023
Depreciated cost at 31 March 2013	289,880	27,173	44,039	361,092
Depreciated cost at 31 March 2012	254,795	52,145	33,046	339,986
SOCIAL HOUSING AND OTHER CAPITAL GRANTS				
As at 1 April 2012	113,182	9,022	13,938	136,142
Received in year	-	3,671	-	3,671
Properties completed	8,160	(8,694)	534	-
Disposals	(43)	-	(131)	(174)
As at 31 March 2013	121,299	3,999	14,341	139,639
NET BOOK VALUE				
As at 31 March 2013	168,581	23,174	29,698	221,453
As at 31 March 2012	141,613	43,123	19,108	203,844

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

Expenditure on works to existing properties	2013 £'000	2012 £'000
Components capitalised	1,000	730
Amounts charged to income and expenditure account	681	985
	1,681	1,715

8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

Housing properties book value, net of depreciation, comprises:	2013 £'000	2012 £'000
Freehold land and buildings	314,068	294,301
Long leasehold land and buildings	47,024	45,685
	361,092	339,986

Additions to properties include:	2013 £'000	2012 £'000
Development overheads capitalised	1,313	1,318
Capitalised interest	876	1,242

9 TANGIBLE FIXED ASSETS - OTHER

	Freehold land and buildings	Fixtures and fittings	Furniture and equipment	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
As at 1 April 2012	5,998	102	214	414	30	6,758
Additions	10	42	7	16	35	110
Disposals	-	-	(7)	(11)	-	(18)
As at 31 March 2013	6,008	144	214	419	65	6,850
Less: Depreciation						
As at 1 April 2012	340	21	101	312	25	799
Charged in year	114	14	41	69	11	249
Released on disposal	-	-	(7)	(11)	-	(18)
As at 31 March 2013	454	35	135	370	36	1,030
Net book value						
As at 31 March 2013	5,554	109	79	49	29	5,820
As at 31 March 2012	5,658	81	113	102	5	5,959

10 INVESTMENTS

(a) UK Government Gilt
The Association is required to maintain an Interest Service Reserve Fund (ISRF) at least equal to 12 months interest on the £30m loan from The Housing Finance Corporation Ltd (THFC). 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	2013
	£'000
Balance 1 April 2012	2,267
Revaluation in year	104
Balance 31 March 2013	2,371

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

(b) Community Meeting Point Harpenden
The Trustees of Community Meeting Point Harpenden (CMP), on 2 June 2003, signed a declaration of trust in favour of the Association. The effect of this was to make CMP a subsidiary of the Association and a related party with effect from that date. All Trustees (currently three) are appointed by Hightown and sign a declaration of Trust.

CMP is a company limited by guarantee no. 3863736 and a registered charity no.1080258.

CMP has not been consolidated within the financial statements, as its results are not considered material. Permission has been granted for this exclusion from the Registrar of Friendly Societies operating under the Prudential Regulation Authority (formerly the Financial Services Authority).

The unaudited results for CMP for the year ended 31 March 2013 are as follows:

	2013	2012
	£'000	£'000
Income and Expenditure:		
Incoming resources	139	160
Surplus for the year	7	28
Balance Sheet:		
Net assets	19	12

11 PROPERTIES AWAITING SALE

	2013	2012
	£'000	£'000
Shared Ownership properties awaiting sale	3,317	1,462
Vacant properties awaiting sale	432	1,255
	3,749	2,717

	No.	No.
Shared Ownership properties awaiting sale	51	17
Vacant properties awaiting sale	2	3
	53	20

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

12 DEBTORS

	2013 £'000	2012 £'000
Due within one year		
Rent and service charges receivable	802	583
Less: Provision for bad and doubtful debts	(595)	(527)
	207	56
Estate service charges recoverable	389	467
Revenue grants receivable	751	557
Other debtors	22	56
Prepayments and accrued income	833	1,268
	2,202	2,404

13 BANK AND CASH

	2013 £'000	2012 £'000
Bank accounts held on trust (see accounting policies)	807	724
Other bank accounts	6,378	8,376
Cash in hand	1	3
	7,186	9,103

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Debt (note 16)	2,600	6,224
Trade creditors	1,103	1,441
Rent and service charges received in advance	927	557
Revenue grants received in advance	405	444
Other taxation and social security	262	276
Other creditors	197	137
Development and works retentions	3,109	4,018
Accruals and deferred income	1,054	695
	9,567	13,792

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013 £'000	2012 £'000
Debt (note 16)	184,585	170,290
Recycled Capital Grant Fund (note 24)	260	96
Premium on THFC Loan Issue	3,796	3,941
Leaseholder Sinking Funds	62	56
Leaseholder Trust Funds	628	580
Development and works retentions	62	513
	189,393	175,476

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

	2013 £'000	2012 £'000
Bank loans		
Due within one year	2,801	6,393
Between one and two years	1,607	2,801
Between two and five years	31,583	29,139
After five years	153,035	140,060
Total after one year	186,225	172,000
Total	189,026	178,393
Unamortised loan costs		
Due within one year	(201)	(169)
Between one and two years	(201)	(169)
Between two and five years	(561)	(507)
After five years	(878)	(1,034)
Total after one year	(1,640)	(1,710)
Total	(1,841)	(1,879)
Total		
Due within one year	2,600	6,224
Between one and two years	1,406	2,632
Between two and five years	31,022	28,632
After five years	152,157	139,026
Total after one year	184,585	170,290
Total	187,185	176,514

All loans are secured by fixed charges on individual housing properties and the central office building. The loans are repayable at intervals varying from quarterly to annually. Final instalments of loans fall to be repaid in the period 2016 to 2039 (2012: 2028 to 2039).

Fixed interest rates payable at 31 March 2013 averaged 5.64% (2012: 5.63%) ranging from 4.4% to 10.5% (2012: 4.4%-10.5%). Variable interest rates are based on LIBOR plus agreed loan margin. The weighted average cost of interest in 2012/13 was 3.25% (2012 3.34%).

17 SHARE CAPITAL

Shares of £1 each issued and fully paid	2013 No.	2012 No.
As at 1 April	37	37
Shares surrendered during the year	(4)	-
As at 31 March	33	37

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 2012	361	126	36,539	37,026
Surplus for the year 2012/13	-	-	6,691	6,691
Actuarial loss relating to pension scheme	-	-	(253)	(253)
Surplus on revaluation of investments	104	-	-	104
As at 31 March 2013	465	126	42,977	43,568

The Restricted Reserve represents monies bequeathed to the Association for the benefit of St. Claire's Residential Home, St.Albans.

19 FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE	2013 £'000	2012 £'000
Expenditure contracted for but not provided in the accounts	30,416	36,816
Expenditure authorised by the Board but not contracted	78,658	27,264

At 31 March 2013 the Association has total undrawn committed loan facilities of £28.0 million (2012: £45.0 million). On 15 April 2013 the Association signed a £30 million loan facility with The Royal Bank of Scotland plc.
These commitments will be financed by use of the above loan facilities (£58.0 million), social housing grant (£8.2 million), first tranche shared ownership sales (£18.2 million), and the balance from 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:

	2013 £'000	2012 £'000
Office equipment and vehicles:		
- Within one year	7	-
- Between one and two years	-	7
- Between two and five years	83	74
	90	81

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

	2013 £'000	2012 £'000
Operating surplus	11,571	8,220
Depreciation of tangible fixed assets	2,589	2,699
Accelerated depreciation of Components	107	100
Amortisation of THFC premium	(145)	(145)
	14,122	10,874
Working capital movements:		
Stock of properties for sale	(1,032)	131
Debtors	202	(286)
Creditors	(4,331)	2,856
Net cash inflow from operating activities	8,961	13,575

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2013 £'000	2012 £'000
Decrease in cash	(1,917)	(18,912)
Cash inflow from increase in debt	(10,633)	(17,367)
Change in net debt from cash flows	(12,550)	(36,279)
Change in net debt from non-cash flows	(38)	447
Net debt at 1 April	(167,411)	(131,579)
Net debt at 31 March	(179,999)	(167,411)

22 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2012 £'000	Cash Flow £'000	Non-Cash Movement £'000	31 March 2013 £'000
Cash at bank and in hand	9,103	(1,917)	-	7,186
Loans	(176,514)	(10,633)	(38)	(187,185)
Net debt	(167,411)	(12,550)	(38)	(179,999)

The non-cash movement represents the in-year movement in unamortised 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:

	2013 £'000	2012 £'000
Floating rate	113,939	102,998
Fixed rate	75,087	75,395
	189,026	178,393
Loan costs	(1,841)	(1,879)
Total (note 16)	187,185	176,514

The fixed rate financial liabilities have a weighted average interest rate of 5.64% (2012: 5.63%) and the weighted average period for which it is fixed is 22.6 years (2012: 23.6 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.

The debt maturity profile is shown in note 16.

24 RECYCLED CAPITAL GRANT FUND

	2013 £'000	2012 £'000
Opening balance 1 April	96	251
Additions:		
Grant recycled	174	45
Interest accrued	-	-
Drawdown:		
New build	(10)	(200)
Closing balance 31 March	260	96

25 RELATED PARTIES

(a) 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

Two Board members are employees of local authorities:

Monica Cashman	Welwyn Hatfield Community Housing Trust (Welwyn Hatfield Borough Council ALMO)
Althea Mitcham	London Borough of Camden

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.

(b) Community Meeting Point Harpenden
The Association has a subsidiary charity Community Meeting Point Harpenden. During the year the Charity paid the Association £15,600 for provision of management services and £31,794 for the rent of premises used by the Charity.

Mike Bailey, Tony Keen and Mary Pedlow are the sole Trustees of Community Meeting Point Harpenden.

26 PENSIONS

Hightown Praetorian & Churches Housing Association (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).

SOCIAL HOUSING PENSION SCHEME

Hightown Praetorian & Churches 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.

SHPS 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.

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 at any one time. An open benefit structure is one which new entrants are able to join.

Hightown currently operates a Career Average Revalued Earnings (CARE) with 1/80th accrual; a Career Average Revalued Earnings (CARE) scheme with 1/60th accrual for staff employed prior to 1 April 2010; and a Final Salary Scheme 1/60th accrual for staff employed prior to 1 April 2007.

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 2012 to 31 March 2013 Hightown paid contributions at the rate of 2.2% to 8.25% of active members' pensionable pay; member contributions varied between 6.55% and 10.1%.

As at the balance sheet date there were 111 active members of the Scheme employed by Hightown. The annual pensionable payroll in respect of these members was £3,223,467. Hightown continues to offer membership of the Scheme to its 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 has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

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.

The Scheme Actuary will provide an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The results of this approximate update will be available in Spring 2014 and will be included in next year's Disclosure Note.

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). A response regarding the 30 September 2011 valuation is awaited.

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 Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2012. At this date the estimated employer debt for Hightown was £17,596,049 (30 September 2011: £16,667,229).

<u>Deficit Recovery Plan Payments</u>
During 2012/13 Hightown made payments into the pension fund under the above Deficit Recovery Plans as follows:

Scheme Valuation Date	Deficit Recovery Payments 2012/13	Deficit Recovery Payments due 2013/14	Annual Increase	Payments Cease
2008 Valuation	£226,632	£237,284	4.7%	30 September 2023
2011 Valuation	-	£124,829	3.0%	30 September 2026

The total sum payable by Hightown under the deficit recovery plan from 1 April 2013 is £5,172,087.

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 2 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 has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

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). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

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 2012. As of this date the estimated employer debt for Hightown was £78,456 including Series 3 liabilities in the calculation or £97,431 excluding Series 3 liabilities from the calculation.

The 2011 valuation revealed a deficit of £148m (84.1% funded). Under the deficit recovery plan Hightown is required to pay £5,196 pa rising by 3% per annum compound for 10 years from 1 April 2013. The total sum payable from 1 April 2013 is £59,564.

BUCKINGHAMSHIRE COUNTY COUNCIL PENSION FUND

The Buckinghamshire County Council Pension Fund (BCCPF) is a multi-employer scheme administered by Buckinghamshire County Council under the regulations governing the Local Government Pension Scheme. It is a defined benefit scheme. The most recent formal triennial actuarial valuation was completed as at March 2013 by Barnett Waddingham LLP, qualified actuaries.

Hightown paid employer's contribution to the BCCPF during the year ended 31 March 2013 amounting to £8,264 (2012: £8,696) at a contribution rate of 16.9% of pensionable salaries.

The actuarial FRS17 figures are included in the accounts for the first time this year. Prior to 31 March 2013, no FRS17 disclosure was made on the basis of immateriality. No historical comparatives have been shown owing to the lack of availability of complete comparatives for 2012.

Financial Assumptions

Assumptions as at	31 March 2013	
	%pa	Real
RPI increases	3.3%	-
CPI increases	2.5%	(0.8%)
Salary increases	4.7%	1.4%
Pension increases	4.0%	0.7%
Discount rate	4.0%	0.7%

These assumptions are set with reference to market conditions at 31 March 2013. The estimated duration of the employer liability is 16 years.

The discount rate is the annualised yield at the 16 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the Fund.

The 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, specifically the 16 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a shorter duration than average.

This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale.

Mortality Assumptions

The demographic assumptions are consistent with those used for the funding valuation as at 31 March 2010. The post retirement mortality tables adopted were the S1PA Heavy series with a 90% multiplier, making allowance for future improvements factors in line with the medium cohort projection with an underpin of 1%. The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2013
Retiring today		
	Males	20.1
	Females	24.1
Retiring in 20 years		
	Males	22.1
	Females	26.0

It has also been assumed that:

- Members will exchange half their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction.

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2013 for the period to 31 March 2014).
The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The following expected returns have been adopted.

Asset Class	1 April 2013 % pa
Equities	6.3%
Gilts	3.0%
Other bonds	4.1%
Property	5.8%
Cash	0.5%
Alternative assets	6.3%
Total	5.9%

No amounts have been included for past service costs/gains, curtailments or settlements.

Amounts recognised in the balance sheet

Net pensions assets as at	31 March 2013 £'000
Present value of funded obligation	827
Fair value of scheme assets (bid value)	574
Net liability in balance sheet	253

Changes in the present value of defined benefit obligation

	Period to 31 March 2013 £'000
Opening fair value of scheme assets	603
Service cost	22
Interest cost	68
Actuarial losses (gains)	157
Estimated benefits paid net of transfers in	(30)
Contributions by scheme participants	7
Closing Defined Benefit obligation	827

Reconciliation of fair value of employer assets

Reconciliation of opening & closing balances of the fair value of scheme assets	Period to 31 March 2013 £'000
Opening fair value of scheme assets	498
Expected return on scheme assets	73
Actuarial gains (losses)	9
Contributions paid by employer included unfunded	17
Contributions by scheme participants	7
Estimated benefits paid net of transfers in and included unfunded	(30)
Fair value of scheme assets at end of period	574

Sensitivity Analysis

The flowing table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
	£'000	£'000	£'000
Present value of total obligation	813	827	841
Projected service cost	13	14	14

Adjustment to mortality age rating assumption	+1 year	None	-1 year
	£'000	£'000	£'000
Present value of total obligation	796	827	858
Projected service cost	13	14	15

Amounts for the current and previous periods

	2013 £'000
Defined benefit obligation	(827)
Scheme assets	574
Deficit	(253)
Experience adjustments on scheme liabilities	-
Percentage of liabilities	-
Experience adjustments on scheme assets	9
Percentage of assets	1.6%
Cumulative actuarial gains and losses	(113)

Amounts recognised in the Statement of Total Recognised Surpluses and Deficits (STRSD)

	2013 £'000
Actuarial gains (losses) in pensions scheme	(253)
Actuarial gains (losses) recognised in STRSD	(253)

Analysis of projected amounts to be charged to operating surplus for the year to March 2014

	Year to 31 Mar 2014 £'000
Service cost	14
Interest cost	33
Return on assets	(34)
Total	13
Employer contributions	9

NHS PENSION SCHEME

There are 2 active members in the NHS scheme relating to staff who transferred to Hightown under TUPE arrangements when services were transferred to Hightown. The NHS scheme is a Government unfunded scheme and no pension fund deficit liability arises to Hightown.

Hightown Praetorian
& Churches
Housing Association

Hightown Praetorian and Churches Housing Association Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2012

Homes and Communities Agency Registration No. L2179

Industrial and Provident Societies Registration No. 18077R

MISSION

"To provide high quality affordable housing, support and services for people in housing need."

VISION

"To retain Hightown Praetorian and Churches Housing Association's position as a highly regarded regional developer and manager of housing and support services."

VALUES

- OUR RESIDENTS AND PEOPLE USING OUR SERVICES COME FIRST.
  We aim to meet their individual and collective expectations through effective consultation and involvement and regular service reviews.

- WE TREAT PEOPLE WITH RESPECT.
  We value diversity and provide services and support in a way which promotes independence and choice.

- WE VALUE OUR STAFF.
  We seek to support their personal development so as to improve the services we provide.

- WE PROVIDE COST EFFECTIVE SERVICES without compromising standards or safety.

- WE SEEK AND VALUE INPUT FROM OUR PARTNERS AND STAKEHOLDERS.
  We develop homes and services to meet shared objectives and responsibilities.

Hightown Praetorian and Churches Housing Association Limited
BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

Board:		
Chair	Mike Bailey, CBE	
Vice Chairs	Andrew Rose Mary Pedlow	
Other Elected Members	Donald Bell Monica Cashman Philip Day Mohamed Fawzi Peter Fix	Tony Keen Paul Martin (until November 2011) Althea Mitcham Richard Ronald
Co-opted Members under rule D5	Carol Green Brian Ellis (from June 2011)	
Executive Directors:		
Chief Executive	David Bogle	
Secretary	David Skinner	
Director of Business Development	George Edkins	
Director of Care	Andrew Duckworth (until January 2012) Sheelagh Jones (from February 2012)	
Director of Financial Services	David Skinner	
Director of Operations	Susan Wallis	
Director of Human Resources and Systems	Paul Elleray	
Registered Office:	Hightown House Maylands Avenue Hemel Hempstead Herts HP2 4XH	
External Auditor:	Baker Tilly UK Audit LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes, Bucks MK9 1BP	
Principal Solicitors:	Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN	Winckworth Sherwood LLP Minerva House 5 Montague Close London SE1 9BB
Principal Bankers:	Lloyds TSB Bank Plc Public & Community Sector 25 Gresham Street London EC2V 7HN	

Registered as a charitable social landlord under the Industrial and Provident Societies Acts No. 18077R.

Registered with the Homes and Communities Agency No. L2179.

TWO YEAR FINANCIAL SUMMARY

For the year ended 31 March	2012 £'000	Restated 2011 £'000
ASSOCIATION INCOME AND EXPENDITURE		
Turnover from continuing activities	33,339	31,830
Operating surplus	8,220	7,050
Surplus for the year before transfers	4,668	4,306
ASSOCIATION BALANCE SHEET		
Housing Properties at cost less depreciation	339,986	293,610
SHG and other capital grants	136,142	128,156
Total debt	178,393	161,026
Reserves	37,026	31,997
ACCOMMODATION FIGURES	No.	No.
Total housing stock owned at year end :		
General Needs – units	2,234	2,071
Leasehold and shared ownership – units	971	951
Special Needs – bed spaces	688	618
Total	3,893	3,640
RATIOS AND STATISTICS		
Operating surplus as % of turnover	24.66%	22.15%
Surplus for the year before transfers as % of turnover	14.00%	13.53%
Interest cover (Operating surplus, interest receivable and housing property depreciation divided by interest payable plus capitalised interest)	196%	254%
Gearing (total loans as % of housing properties at cost)	50.42%	52.80%
Adjusted Gearing (total loans less cash as % of housing properties at cost)	48.05%	43.82%

CHAIRMAN'S STATEMENT

For the year ended 31 March 2012

A busy and eventful year for Hightown during which we tried to concentrate on our core business of building new homes for people in housing need and providing the best possible services and support to our existing residents and service users while the external world grappled with austerity and economic stagnation.

Of course, Hightown is not immune to the economic difficulties facing the Country and the continent. Further cuts are being made in the Government funding available for care and supported housing services and grant for new affordable housing has reduced considerably. On the other hand, the Association has benefitted during the year from low interest payments on its historic loans and from rent income inflation.

The Hightown Board has welcomed the lighter touch regulation from the Tenant Services Authority (now part of the Homes and Communities Agency) while recognising the need to demonstrate continued good governance and to manage astutely financial and other risks.

Despite not receiving grant under the 2011-15 programme, Hightown has continued to complete new affordable homes funded under the 2008-11 programme and to provide the social housing on developer-led S.106 schemes - which are not eligible for grant under the new rules. In 2011/12, Hightown completed 267 new affordable homes in total and ended the year with a further 466 homes on site. Furthermore, we were pleased to receive over £1 million of grant under the Empty Homes programme to bring empty properties back into use in Hertfordshire.

Under new Government rent arrangements, Hightown will increasingly develop new homes at rents which are up to 80% of the market rate ('affordable' rents) but will not convert existing properties to these affordable rents when they become available for re-letting. The Board has consulted with our residents and has debated Hightown's approach to fixed term tenancies. Our agreed policy is broadly in line with that adopted by most other housing associations in our area of operations, which is to offer five year tenancies from April 2012.

We continue to be able to access new funds for development from UK banks albeit at higher margins and for shorter periods than previously. However, like most developing housing associations, we are preparing to obtain long term funding from the bond or private placement markets should the need arise at some future point.

As this annual report shows, Hightown remains financially strong while delivering demonstrably good services to our residents and service users and excellent performance outcomes. I was pleased to see our lettings and arrears performance improve during the year.

In March, Hightown received a satisfactory Regulatory Judgement from the Tenants Service Authority in both the financial viability and the governance categories following a visit from our Regulation Manager (including her attendance at a Board meeting).

The Board has operated very effectively over the course of the year and I am most grateful for their support both to me and to the staff team. I have led our annual Board appraisal processes and have also spent time looking at succession planning for the Board as a number of Board members approach the end of their terms of appointment.

We were very sorry to see Paul Martin leave the Board in November after many years dedicated service both to Hightown and, previously, to St. Albans and District Churches Housing Association as well as to the social housing sector generally.

Finally, I would like to thank all of Hightown's supporters, stakeholders and partners and all of our staff for their help and encouragement during another successful year for the Association.

M Bailey.

Mike Bailey CBE
Chairman
5 July 2012

The Board presents its report and audited financial statements for the year ended 31 March 2012

Principal activities

Hightown Praetorian and Churches Housing Association Limited ('the Association') is a not-for-profit organisation administered by a voluntary Board. The Association operates principally in Hertfordshire and Buckinghamshire. The Association's principal activities are the development and management of social housing, supported housing, care homes and nursing homes.

Performance for the year

Turnover increased by £1.5 million (2011: £1.1 million) on 2010/11 and the Board is pleased to report that the Association has continued to meet its financial targets. By the year-end the Association's reserves stood at £37.0 million (2011: £32.0million).

The Association spent £51.1 million (2011: £63.6 million) on the acquisition and development of housing properties including shared ownership properties, financed by social housing grant, shared ownership and other property sales receipts, bank loans, and operating cash flow.

Details of changes to the Association's fixed assets are shown in notes 8 to 10 to the financial statements.

Board members and executive directors

The present Board members and the executive directors of the Association are set out on page 2. The Board members are drawn from a wide background bringing together professional, commercial and local experience.

All the Board members served throughout the year unless otherwise stated.

The executive directors are listed above. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board.

Employees

The Association has 400 (2011: 378) employees most of whom are engaged in providing front line housing and support services to our residents. The Association is accredited for Investors in People and continues to invest heavily in the training of its employees. Our aim is to ensure that our staff are given the support necessary to enable them to provide high quality, professional services.

The Association provides information on the Association's objectives, progress and activities through regular office and departmental meetings. A Staff Forum of elected staff representatives meets quarterly to discuss issues relevant to staff.

The Association is committed to equal opportunities for all its employees and complies with all relevant legislation and best practice.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Association has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

NHF Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the NHF Code of Governance (*Excellence in Governance: Code for Members* 2009) except in the number of Board members where the Association considers that a larger Board is required for the effective business of the Association. The ways in which we seek to achieve good Housing Association governance are outlined below.

NHF Excellence in Standards of Conduct

The Association has policies and procedures to demonstrate compliance with the NHF *Excellence in Standards of Conduct: Code for Members* 2010.

The Board

The Board currently comprises eleven elected non-executive members and two co-optees. The Board is the governing body of the Association and sets the strategic direction of the Association and monitors performance. The Board meets, formally, every six weeks for regular business. It has six Committees; Governance, Housing Scrutiny, Care and Supported Housing, Development, Finance and Audit, and Remuneration.

The Board is responsible for the Association's strategy and policy framework. Day to day management and implementation of that framework is delegated to the Chief Executive and then to the other executive directors and through them to management staff. The Chief Executive meets regularly with the Chairman between Board meetings and meets bi-weekly with the executive directors.

Board members are usually elected at the Annual General Meeting for a three year term. The Board may appoint new members during the year but they must retire at the next annual general meeting. At the Annual General Meeting, one third of the Board must retire and are eligible under our rules for re-election without nomination subject to a maximum of three consecutive terms.

Committees

The Governance Committee - consists of the Chair and six other Board members and meets at least once a year and when required. It reviews and makes recommendations to the Board on the governance of the Association.

The Housing Scrutiny Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its general needs residents and others and reports back to the Board.

The Care and Supported Housing Committee - consists of up to six Board members plus up to eight co-opted members including residents and other parties interested in service provision. It meets four times a year. It monitors and reviews the services provided by the Association to its care and supported housing residents and others and reports back to the Board.

The Development Committee - consists of a minimum of three Board members and up to six members in total and meets four times a year and when necessary. It monitors and reviews the Association's development strategy and programme and reports its conclusions and recommendations to the Board.

The Finance and Audit Committee - consists of a minimum of four Board members and up to six members and meets at least three times a year and when necessary. It monitors and reviews the financial operations and policies of the Association. It considers the Association's borrowing strategy, including principal terms of individual loans and reports back to the Board. It reviews the effectiveness of the Association's internal control systems and makes recommendations to the Board on audit practice and on the appointment of the internal and external auditors.

The Remuneration Committee - consists of the Board Chair and Vice-Chairs, chairs of other committees, and up to two other Board Members. It is chaired by one of the Vice-Chairs and makes recommendations to the Board on the remuneration and conditions of service of the senior staff of the Association and on the pay structure and key conditions of service of the staff.

Committee Memberships

The committee memberships are as follows:

Governance
Mike Bailey (Chair)
Donald Bell
Monica Cashman
Tony Keen
Althea Mitcham
Mary Pedlow
Andrew Rose

Housing Scrutiny
Mary Pedlow (Chair)
Monica Cashman
Philip Day
Mohamed Fawzi
Richard Ronald

Residents:
Peter Dommett
John Doyle
Kathryn Hallett
Anna Marie Peel
Ragini Shah
Sumy Tharakan

Care & Supported Housing
Althea Mitcham (Chair)
Mike Bailey
Monica Cashman
Philip Day
Mohamed Fawzi
Carol Green

Non-Board member:
Hazel Cannon
Alison Steer

Resident:
Peter Dommett

Development
Andrew Rose (Chair)
Peter Fix
Tony Keen
Althea Mitcham
Richard Ronald

Non Board member:
Alison Steer

Resident:
Ron Symons

Finance & Audit
Donald Bell (Chair)
Brian Ellis
Peter Fix
Tony Keen
Paul Martin (to November 2011)
Mary Pedlow

Resident:
Kathryn Hallett

Remuneration
Mary Pedlow (Joint Chair)
Andrew Rose (Joint Chair)
Mike Bailey
Donald Bell
Monica Cashman
Tony Keen
Althea Mitcham

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This responsibility applies for all organisations within the Association, including those not registered with the Homes and Communities Agency.

The system of internal control is designed to manage, rather than eliminate, risk, to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

In meeting its responsibilities the Board has adopted a risk-based approach to establishing and maintaining internal controls which are embedded within day to day management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Association is exposed.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2011 up to the date of approval of the annual report and financial statements. The Board and the Finance and Audit Committee receives and considers reports from management on these risk management and control arrangements.

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 include:

Identifying and evaluating key risks
The Association's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Control environment and internal controls
The processes to identify and manage the key risks to which the Association is exposed are an integral part of the internal control environment. Such processes, which are reviewed annually and revised where necessary, 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 Finance and Audit Committee. The Board receives quarterly management accounts and key performance indicators. The Housing Scrutiny Committee, the Care and Supported Housing Committee, the Development Committee and the Finance and Audit Committee regularly receive reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The outcomes of these reviews are reported to the Board at each meeting throughout the year. Board members have access to monthly reports from the Chief Executive, the executive directors and the senior managers.

Monitoring arrangements
Regular management reporting on control issues provides assurance to successive levels of management and to the Board. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via its Finance and Audit Committee. The arrangements include a rigorous procedure, monitored by the Finance 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.

Statement of the responsibilities of the Board for the financial statements

The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these financial statements the Board has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom accounting standards and the Statement of Recommended Practice: "Accounting by Registered Social Housing Providers - Update 2010" and;
- prepared the financial statements on a going concern basis.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, paragraph 16 of Schedule 1 to the Housing Act 1996 (as amended by the Housing Act 2004) and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for maintaining an adequate system of internal control and safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges that it is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the preparation of the financial statements.

Annual General Meeting

The annual general meeting will be held on 17 September 2012.

Auditor

A resolution to re-appoint Baker Tilly UK Audit LLP as external auditor will be proposed at the forthcoming annual general meeting.

Approval

The report of the Board was approved on 5 July 2012 and signed on its behalf by:

David Skinner
Secretary
5 July 2012

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

For the year ended 31 March 2012

We have audited the financial statements of Hightown Praetorian and Churches Housing Association for the year ended 31 March 2012 on pages 11 to 36. 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 section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditor

As explained more fully in the Board's Responsibilities Statement set out on page 9, the Board 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 APB's website at *www.frc.org.uk/apb/private.cfm*.

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 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
The Pinnacle
170 Midsummer Boulevard
Milton Keynes, Bucks
MK9 1BP

Date: 24th July 2012

Hightown Praetorian and Churches Housing Association Limited
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
TURNOVER	*1*	**33,339**	**31,830**
Operating costs	*1*	(25,119)	(24,780)
OPERATING SURPLUS	*1,4*	**8,220**	**7,050**
Surplus on sale of properties & other fixed assets		598	308
Interest receivable and other income		139	72
Interest payable and similar charges	*5*	(4,289)	(3,124)
SURPLUS ON ORDINARY ACTIVITIES	*18*	**4,668**	**4,306**

All activities are continuing.

Historical cost surpluses and deficits are identical to those shown in the income and expenditure account.

The notes on pages 14 to 36 form part of these financial statements.

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

	2012 £'000	Restated 2011 £'000
Surplus for the financial year	**4,668**	**4,306**
Unrealised surplus on revaluation of investments	361	-
TOTAL RECOGNISED SURPLUSES AND DEFICITS RELATING TO THE YEAR	**5,029**	**4,306**
Prior period adjustment (Note 27)	(1,875)	-
TOTAL RECOGNISED SURPLUSES AND DEFICITS RECOGNISED SINCE THE LAST REPORTING PERIOD	**3,154**	**4,306**

Hightown Praetorian and Churches Housing Association Limited
BALANCE SHEET
As at 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
TANGIBLE FIXED ASSETS			
Housing properties	*8*	339,986	293,610
Social housing and other grants	*8*	(136,142)	(128,156)
		203,844	165,454
Investments	*10*	2,267	1,906
Other tangible fixed assets	*9*	5,959	6,108
TOTAL FIXED ASSETS		**212,070**	**173,468**
CURRENT ASSETS			
Properties awaiting sale	*11*	2,717	2,848
Debtors	*12*	2,404	2,118
Cash at bank and in hand	*13*	9,103	28,015
		14,224	**32,981**
CREDITORS: Amounts falling due within one year	*14*	**(13,961)**	**(7,991)**
NET CURRENT ASSETS		**263**	**24,990**
TOTAL ASSETS LESS CURRENT LIABILITIES		**212,333**	**198,458**
CREDITORS: Amounts falling due after more than one year	*15*	**175,307**	**166,461**
CAPITAL AND RESERVES			
Share capital	*17*	-	-
Revaluation reserve	*18*	361	-
Restricted reserve	*18*	126	-
Revenue reserve	*18*	36,539	31,997
ASSOCIATION'S RESERVES	*18*	**37,026**	**31,997**
		212,333	**198,458**

The notes on pages 14 to 36 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 5 July 2012 and are signed on its behalf by:

M Bailey

Mike Bailey - Chair

Donald Bell - Board Member

David Skinner - Secretary

Hightown Praetorian and Churches Housing Association Limited
CASH FLOW STATEMENT
For the year ended 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	*20*	**13,575**	**12,938**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		151	33
Interest paid		(5,537)	(3,183)
Net cash outflow from returns on investment and servicing of finance		**(5,386)**	**(3,150)**
CAPITAL EXPENDITURE			
Purchase and construction of housing properties		(51,146)	(57,392)
Social Housing Grant received		5,592	18,324
Purchase of other fixed assets		(147)	(192)
Sales of housing properties		965	725
Sales of other fixed assets		268	-
Financial Investment		-	(1,906)
Net cash outflow from capital expenditure		**(44,468)**	**(40,441)**
Net cash outflow before use of liquid resources and financing		**(36,279)**	**(30,653)**
FINANCING			
Loans received		17,608	54,592
Loans repaid		(241)	(233)
Net inflow from financing		**17,367**	**54,359**
(DECREASE) / INCREASE IN CASH IN THE PERIOD	*21*	**(18,912)**	**23,706**

The notes on pages 14 to 36 form part of these financial statements.

LEGAL STATUS
The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a social landlord. It has charitable status.

BASIS OF ACCOUNTING
The financial statements of the Association are prepared under the historical cost convention, 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 Requirements for registered social landlords General Determination 2006. The SORP 2010 has required a change in accounting policy to reflect the componentisation of fixed assets. 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 three funded multi employer defined benefit schemes; the Social Housing Pension Scheme, The Bucks County Council Local Government Pension Scheme, 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).

For each of these schemes, 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.

No pensions note appears in note 6 for either the Bucks CC scheme or the NHS scheme on the grounds of materiality due to the very low number of participants (2 and 3 respectively).

SUPPORTED HOUSING MANAGED BY AGENCIES
The treatment of income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Association and its managing agents and on whether the Association carries the financial risk.

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 agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association. Other income and expenditure of projects in this category is excluded from the Association's income and expenditure account (see note 1).

INTEREST RATE FIXINGS
The Association uses interest rate fixes to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Association's balance sheet. 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 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 built since 1980 which are 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.

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	20%

Where assets comprise separate components as set out under housing properties depreciation policy earlier, then these components are 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.

DISPOSAL PROCEEDS FUND
The Disposal Proceeds Fund is a statutory fund containing social housing grant released on sales under any Right to Acquire or Right to Buy. It must be utilised to provide funding for replacement social housing property within three years or else becomes repayable to the Homes and Communities Agency with interest. The fund is included within creditors. Any unused balance held which is anticipated will be 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".

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".

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 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

Continuing activities	Turnover £'000	2012 Operating costs £'000	Operating surplus £'000	Turnover £'000	Restated 2011 Operating costs £'000	Restated Operating surplus £'000
SOCIAL HOUSING LETTINGS (see pages 20 and 21)	**27,093**	**(19,065)**	**8,028**	**24,539**	**(17,695)**	**6,844**
OTHER SOCIAL HOUSING ACTIVITIES						
Supporting People contract income	1,102	(1,102)	-	1,161	(1,161)	-
Management services	322	(292)	30	278	(285)	(7)
Aborted development costs	-	(62)	(62)	-	(11)	(11)
Other	344	(43)	301	300	(69)	231
Shared Ownership	3,961	(3,958)	3	5,107	(5,054)	53
	5,729	**(5,457)**	**272**	**6,846**	**(6,580)**	**266**
NON-SOCIAL HOUSING ACTIVITIES						
Registered nursing homes	459	(517)	(58)	445	(505)	(60)
Charity Shop	58	(80)	(22)	-	-	-
	517	**(597)**	**(80)**	**445**	**(505)**	**(60)**
TOTAL	**33,339**	**(25,119)**	**8,220**	**31,830**	**(24,780)**	**7,050**

1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (continued)

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – 2012

	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	Total £'000
INCOME FROM SOCIAL HOUSING LETTINGS					
Rent receivable net of identifiable service charges	11,351	2,381	1,169	182	15,083
Charges for support services	25	728	-	-	753
Service charges receivable	943	1,068	334	-	2,345
NET RENTAL INCOME	**12,319**	**4,177**	**1,503**	**182**	**18,181**
Other revenue grants	5	4,993	6	3,908	8,912
TURNOVER FROM SOCIAL HOUSING LETTINGS	**12,324**	**9,170**	**1,509**	**4,090**	**27,093**
EXPENDITURE ON SOCIAL HOUSING LETTINGS					
Management	(1,482)	(5,768)	(311)	(3,274)	(10,835)
Services	(702)	(1,304)	(249)	(501)	(2,756)
Routine maintenance	(1,524)	(243)	(10)	(46)	(1,823)
Planned maintenance	(174)	(46)	(1)	(5)	(226)
Major repairs expenditure	(816)	(120)	(12)	(37)	(985)
Bad debts	(2)	25	2	-	25
Depreciation of housing properties	(2,001)	(224)	(213)	(27)	(2,465)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**(6,701)**	**(7,680)**	**(794)**	**(3,890)**	**(19,065)**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**5,623**	**1,490**	**715**	**200**	**8,028**
VOIDS: Rent Loss	(127)	(184)	(94)	(7)	(412)

1 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS (continued)

PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS – 2011 RESTATED

	General Housing £'000	Supported Housing £'000	Shared Ownership £'000	Residential Care Homes £'000	Total £'000
INCOME FROM SOCIAL HOUSING LETTINGS					
Rent receivable net of identifiable service charges	9,334	2,046	958	182	12,520
Charges for support services	23	819	-	-	842
Service charges receivable	881	970	310	-	2,161
NET RENTAL INCOME	**10,238**	**3,835**	**1,268**	**182**	**15,523**
Other revenue grants	-	4,623	9	4,384	9,016
TURNOVER FROM SOCIAL HOUSING LETTINGS	**10,238**	**8,458**	**1,277**	**4,566**	**24,539**
EXPENDITURE ON SOCIAL HOUSING LETTINGS					
Management	(1,408)	(5,222)	(252)	(3,524)	(10,406)
Services	(678)	(1,295)	(220)	(511)	(2,704)
Routine maintenance	(1,148)	(242)	(13)	(47)	(1,450)
Planned maintenance	(393)	(41)	(1)	(10)	(445)
Major repairs expenditure	(526)	(165)	(6)	(54)	(751)
Bad debts	(24)	15	6	-	(3)
Depreciation of housing properties	(1,351)	(253)	(258)	(74)	(1,936)
OPERATING COSTS ON SOCIAL HOUSING LETTINGS	**(5,528)**	**(7,203)**	**(744)**	**(4,220)**	**(17,695)**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**4,710**	**1,255**	**533**	**346**	**6,844**
VOIDS: Rent Loss	(131)	(240)	(92)	-	(463)

2 SUPPORTED HOUSING MANAGED BY AGENCIES

Where the managing agency carries the financial risk, the Association's income and expenditure account includes only the income and expenditure for which it retains responsibility. The Association has 114 supported housing tenancies (2011:109) that are managed on its behalf under management agreements by other bodies who carry the financial risk.

3 ACCOMMODATION IN MANAGEMENT

	2012 No.	2011 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)	2,234	2,071
Supported housing (including agency managed)	591	516
Shared ownership	422	404
Leasehold	549	547
Residential care home bed spaces	89	94
Total in management	3,885	3,632
Non-social housing		
Registered nursing home bed spaces	8	8
Total owned and managed	3,893	3,640

4 OPERATING SURPLUS

	2012 £'000	Restated 2011 £'000
This is arrived at after charging:		
Depreciation of housing properties	2,465	1,936
Depreciation of other tangible fixed assets	234	219
Operating lease rentals	97	68
Auditor's remuneration (inclusive of VAT)		
Baker Tilly UK Audit LLP		
- for audit services	33	28
- for non-audit services	1	3

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
Loans and bank overdrafts	5,531	3,569
Interest payable capitalised on housing properties under construction	(1,242)	(445)
	4,289	3,124
Capitalisation rate used to determine the amount of finance costs capitalised during the period	3.13%	2.85%

6 EMPLOYEES AND PENSIONS

	2012 No.	2011 No.
Average monthly number of employees (expressed in full time equivalents):		
Administration	39	35
Development	11	12
Housing, support and care	350	331
	400	378

Employee costs:	2012 £'000	2011 £'000
Wages and salaries	10,503	10,418
Social security costs	832	853
Other pension costs	467	471
	11,802	11,742

During the year the Association paid £52,558 (2011:£65,361) in respect of redundancy and severance payments. These values are included within the analysis above.

PENSIONS

The Association participates in three multi employer defined benefit schemes; the Social Housing Pension Scheme (SHPS), The Bucks County Council Local Government Pension Scheme, 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).

No pensions note appears here for either the Bucks CC scheme or the NHS scheme due to the very low number of participants (2 and 3 persons respectively), on the grounds of materiality.

SOCIAL HOUSING PENSION SCHEME

Hightown Praetorian & Churches 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.

SHPS 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.

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 at any one time. An open benefit structure is one which new entrants are able to join.

Hightown has operated the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007. This does not reflect any benefit structure changes made from April 2010.

Hightown has operated the career average revalued earnings (CARE) with a 1/60th accrual rate benefit structure for new entrants from 1 April 2007. This does not reflect any benefit structure changes made from April 2010. From 1 April 2010 Hightown has operated the career average revalued earnings (CARE) with a 1/80th accrual benefit.

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 2011 to 31 March 2012 Hightown paid contributions at the rate of 9.7% to 15.75%, member contributions varied between 6.55% and 10.1%.

As at the balance sheet date there were 117 active members of the Scheme employed by Hightown. The annual pensionable payroll in respect of these members was £3.434m. Hightown continues to offer membership of the Scheme to its 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 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

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 – PA92 Year of Birth, long cohort projection, minimum improvement 1% p.a.

Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

The long-term joint contribution rates required from April 2010 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	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80th accrual rate	11.9

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 £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in-line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

The Scheme's 30 September 2011 valuation is currently in progress and will be finalised by 31 December 2012. The results of the 2011 valuation will be included in next year's Disclosure Note.

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 3.0% 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). The Regulator provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

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 Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2011. At this date the estimated employer debt for Hightown was £16.667m (30 September 2010 £12.162m).

7 BOARD MEMBERS AND EXECUTIVE DIRECTORS

The aggregate emoluments of the executive directors including pension contributions amounted to £645,108 (2011: £586,887). None of the Board members received emoluments. Expenses paid during the year to Board members amounted to £2,130 (2011: £1,360).

The emoluments of the highest paid director, the chief executive, excluding pension contributions, were £125,248 (2011: £120,124). Pension contributions in the year were £9,551 (2011: £9,048).

From 1 April 2010 the Social Housing Pension Scheme (SHPS) changed the payment arrangements for funding the scheme deficit. The Association now pays a monthly lump sum payment to SHPS in respect of the scheme deficit and correspondingly reduced rate of employer pension contribution of pensionable salaries to fund the current service provision. This reduction in rate is reflected in the pension figures stated above. It is not possible to disaggregate any payment of the past service deficit to any individual employee.

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 £'000	Properties in the course of completion £'000	Completed Shared Ownership properties £'000	Total £'000
COST				
As at 1 April 2011 Restated	234,610	39,715	30,641	304,966
Additions	1,434	47,503	267	49,204
Schemes completed	31,873	(34,948)	3,075	-
Transfer to current assets	(1)	-	-	(1)
Disposals	-	(125)	(243)	(368)
As at 31 March 2012	267,916	52,145	33,740	353,801
Less: Depreciation				
As at 1 April 2011 Restated	10,886	-	470	11,356
Charge for the year	2,235	-	230	2,465
Disposals	-	-	(6)	(6)
As at 31 March 2012	13,121	-	694	13,815
Depreciated cost at 31 March 2012	254,795	52,145	33,046	339,986
Depreciated cost at 31 March 2011 Restated	223,724	39,715	30,171	293,610
SOCIAL HOUSING AND OTHER CAPITAL GRANTS				
As at 1 April 2011	99,587	14,983	13,586	128,156
Received in year	-	8,031	-	8,031
Schemes completed	13,611	(13,992)	381	-
Disposals	(16)	-	(29)	(45)
As at 31 March 2012	113,182	9,022	13,938	136,142
NET BOOK VALUE				
As at 31 March 2012	141,613	43,123	19,108	203,844
As at 31 March 2011 Restated	124,137	24,732	16,585	165,454

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

Expenditure on works to existing properties

	2012 £'000	Restated 2011 £'000
Components capitalised	730	765
Amounts charged to income and expenditure account	985	751
	1,715	1,516

8 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

Housing properties book value, net of depreciation, comprises:	2012 £'000	Restated 2011 £'000
Freehold land and buildings	294,301	249,378
Long leasehold land and buildings	45,685	44,232
	339,986	293,610

Additions to properties include:	2012 £'000	2011 £'000
Development overheads capitalised	1,318	1,090
Capitalised interest	1,242	445

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 2011	5,996	80	203	373	30	6,682
Additions	2	22	13	48	-	85
Disposals	-	-	(2)	(7)	-	(9)
As at 31 March 2012	5,998	102	214	414	30	6,758
Less: Depreciation						
As at 1 April 2011 Restated	227	10	66	252	19	574
Charged in year	113	11	37	67	6	234
Released on disposal	-	-	(2)	(7)	-	(9)
As at 31 March 2012	340	21	101	312	25	799
Net book value						
As at 31 March 2012	5,658	81	113	102	5	5,959
As at 31 March 2011 Restated	5,769	70	137	121	11	6,108

10 INVESTMENTS

A) UK Government Gilt
The Association is required to maintain an Interest Service Reserve Fund (ISRF) at least equal to 12 months interest on the £30m loan from The Housing Finance Corporation Ltd (THFC). 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	2012
	£'000
Balance 1 April 2011	1,906
Revaluation in year	361
Balance 31 March 2012	2,267

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

B) Community Meeting Point Harpenden
The Board Members of Community Meeting Point Harpenden (CMP), on 2 June 2003, signed a declaration of trust in favour of the Association. The effect of this was to make CMP a subsidiary of the Association with effect from that date. All new Trustees sign a declaration of Trust.

CMP is a company limited by guarantee no. 3863736 and a registered charity no.1080258.

CMP has not been consolidated within the financial statements, as its results are not considered material. Permission has been granted for this exclusion from the Register of Friendly Societies operating under the Financial Services Authority.

The unaudited results for CMP for the year ended 31 March 2012 are as follows:

	2012	2011
	£'000	£'000
Income and Expenditure:		
Incoming resources	164	100
(Deficit) / Surplus for the year	(29)	1
Balance Sheet:		
Net assets	15	44

11 PROPERTIES AWAITING SALE

	2012	2011
	£'000	£'000
Stock of Shared Ownership properties	1,462	2,566
Vacant properties awaiting sale	1,255	282
	2,717	2,848
	No.	No.
Shared Ownership properties	17	25
Vacant properties awaiting sale	3	2
	20	27

The stock of Shared Ownership properties represents the anticipated 1st tranche sale to shared owners. The three vacant properties will be sold in the near future to provide finance for new build schemes as part of the Association's active asset management activity.

12 DEBTORS

	2012 £'000	2011 £'000
Due within one year		
Rent and service charges receivable	583	927
Less: Provision for bad and doubtful debts	(527)	(613)
	56	314
Estate service charges recoverable	467	364
Revenue grants receivable	557	668
Other debtors	56	62
Prepayments and accrued income	1,268	710
	2,404	2,118

13 BANK AND CASH

	2012 £'000	2011 £'000
Bank accounts held on trust (see accounting policies)	724	628
Other bank accounts	8,376	27,384
Cash in hand	3	3
	9,103	28,015

The March 2011 figures reflect £23.9 million of loan monies from The Housing Finance Corporation (THFC) held prior to funding new development schemes in 2011/12.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Debt (note 16)	6,393	283
Trade creditors	1,441	2,121
Rent and service charges received in advance	557	821
Revenue grants received in advance	444	488
Other taxation and social security	276	281
Other creditors	137	120
Development and works retentions	4,018	3,207
Accruals and deferred income	695	670
	13,961	7,991

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £'000	2011 £'000
Debt (note 16)	170,121	159,311
Grants received in advance	-	1,943
Premium on THFC Loan Issue	3,941	4,086
Recycled Capital Grant Fund (note 25)	96	251
Leaseholder Sinking Funds	56	45
Leaseholder Trust Funds	580	479
Development and works retentions	513	346
	175,307	166,461

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

	2012 £'000	2011 £'000
Due within one year		
Bank loans	6,562	380
Unamortised loan costs	(169)	(97)
	6,393	283
Due after more than one year		
Bank loans	171,831	160,646
Unamortised loan costs	(1,710)	(1,335)
	170,121	159,311

Debt is repayable as follows:	2012 £'000	2011 £'000
Within one year	6,393	283
Between one and two years	398	389
Between two and five years	14,029	4,804
After five years	155,694	154,118
	176,514	159,594

All loans are secured by fixed charges on individual housing properties and the central office building. The loans are repayable at intervals varying from quarterly to annually. Final instalments of loans fall to be repaid in the period 2028 to 2039.

Fixed interest rates payable at 31 March 2012 averaged 5.63% (2011: 5.25%) ranging from 4.4% to 10.5% (2011: 4.4%-10.5%). Variable interest rates are based on LIBOR plus agreed margin.

At 31 March 2012, the Association had undrawn loan facilities of £45.0 million (2011: £12.6 million) and undrawn overdraft facilities of £2 million (2011: £2 million).

Total unamortised loan costs at 31 March 2012 were £1,879,425 (2011: £1,432,026).

17 SHARE CAPITAL

	2012 No.	2011 No.
Shares of £1 each issued and fully paid		
As at 1 April	37	34
Shares issued during the year	-	3
As at 31 March	37	37

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 2011 as originally reported	-	-	33,872	33,872
Prior period adjustment (note 27)	-	-	(1,875)	(1,875)
As at 1 April 2011 as restated	-	-	31,997	31,997
Surplus for the year 2011/12	-	-	4,668	4,668
Transfer to restricted reserve	-	126	(126)	-
Surplus on revaluation of investments	361	-	-	361
As at 31 March 2012	361	126	36,539	37,026

The Restricted Reserve represents monies bequested to the Association for the benefit of St.Claires Residential Home, St.Albans.

19 FINANCIAL COMMITMENTS

	2012 £'000	2011 £'000
CAPITAL EXPENDITURE		
Expenditure contracted for but not provided in the accounts	36,816	68,641
Expenditure authorised but not contracted	27,264	12,087

At 31 March 2012 the Association has total undrawn committed loan facilities of £45.0 million (2011: £12.6 million).

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

	2012 £'000	2011 £'000
Office equipment and vehicles, expiring:		
- Within one year	-	2
- Between one and two years	9	17
- Between two and five years	412	217
	421	236

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

	2012 £'000	Restated 2011 £'000
Operating surplus	8,220	7,050
Depreciation of tangible fixed assets	2,699	2,155
	10,919	9,205
Working capital movements:		
Stock of properties for sale	131	(1,248)
Debtors	(286)	648
Creditors	2,811	4,333
Net cash inflow from operating activities	13,575	12,938

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2012 £'000	2011 £'000
(Decrease) / Increase in cash	(18,912)	23,706
Cash inflow from increase in debt	(17,367)	(54,359)
Change in net debt from cash flows	(36,279)	(30,653)
Change in net debt from non-cash flows	447	444
Net debt at 1 April	(131,579)	(101,370)
Net debt at 31 March	(167,411)	(131,579)

22 ANALYSIS OF NET DEBT

	1 April 2011 £'000	Cash Flow £'000	Non-Cash Movement £'000	31 March 2012 £'000
Cash at bank and in hand	28,015	(18,912)		9,103
Loans	(159,594)	(17,367)	447	(176,514)
Net debt	(131,579)	(36,279)	447	(167,411)

The non-cash movement represents the in-year movement in unamortised 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:

	2012 £'000	2011 £'000
Floating rate	102,998	85,424
Fixed rate	75,395	75,602
	178,393	161,026
Loan costs	(1,879)	(1,432)
Total (note 16)	176,514	159,594

The fixed rate financial liabilities have a weighted average interest rate of 5.63% (2011: 5.25%) and the weighted average period for which it is fixed is 23.6 years (2011: 24.5 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 an agreed loan margin.

The debt maturity profile is shown in note 16.

24 DISPOSAL PROCEEDS FUND

	2012 £'000	2011 £'000
Opening balance 1 April	-	64
Additions:		
Interest accrued	-	-
Drawdown:		
New build	-	(64)
Closing balance 31 March	-	-

25 RECYCLED CAPITAL GRANT FUND

	2012 £'000	2011 £'000
Opening balance 1 April	251	115
Additions:		
Grant recycled	45	169
Interest accrued	-	-
Drawdown:		
New build	(200)	(33)
Closing balance 31 March	96	251

26 RELATED PARTIES

(a) Board and Committee Members
One board member, Philip Day, is a tenant board member and his tenancy is let on normal commercial terms.

Two Board members are local authority Councillors:

Carol Green	Dacorum Borough Council
Brian Ellis	St Albans District Council (from June 2011)

Two Board members are employees of local authorities:

Monica Cashman	Welwyn Community Housing Trust (Welwyn Hatfield Borough Council ALMO)
Althea Mitcham	Central Bedfordshire Council

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.

(b) Community Meeting Point Harpenden
The Association has a subsidiary charity Community Meeting Point Harpenden. During the year the Charity paid the Association £15.6k for provision of management services and £24k for the rent of premises used by the Charity.

Monica Cashman, Tony Keen and Mary Pedlow are Trustees of Community Meeting Point Harpenden.

27 PRIOR PERIOD ADJUSTMENT

Component Accounting

Following implementation of the Statement of Recognised Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment.

The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their useful economic life. This has resulted in major works expenditure written off in previous years to the income and expenditure account being capitalised, and an additional depreciation charge being recognised. In total this has led to an adjustment as at 31 March 2011 of £1.875 million as shown below.

	Cumulative prior year adjustments to 31 March 2010 £'000	Prior year adjustment for 2010/11 £'000	Cumulative prior year adjustment to 31 March 2011 £'000
Income & Expenditure			
Operating costs – depreciation charge	(5,049)	(865)	(5,914)
Operating costs – major repairs	3,274	765	4,039
Impact on operating surplus	(1,775)	(100)	(1,875)
Balance Sheet			
Housing Properties (cost)			
At 31 March as previously stated	300,927	-	300,927
Additional capitalisation of components	3,274	765	4,039
At 31 March as restated	304,201	765	304,966
Housing Properties (depreciation)			
At 31 March as previously stated	(5,504)	-	(5,504)
Additional depreciation	(5,000)	(852)	(5,852)
At 31 March as restated	(10,504)	(852)	(11,356)
Other Fixed Assets (depreciation)			
At 31 March as previously stated	(512)	-	(512)
Additional depreciation	(49)	(13)	(62)
At 31 March as restated	(561)	(13)	(574)
Revenue Reserves			
Revenue reserve at 31 March as previously stated	33,872	-	33,872
Impact on operating surplus (as above)	(1,775)	(100)	(1,875)
Revenue reserve at 31 March as restated	32,097	(100)	31,997

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