

# **Heylo Housing Secured Bond Plc**

Report and Financial Statements (unaudited)

Half Year Ended

31 March 2019

Company Number 11222614

# Heylo Housing Secured Bond Plc

## Company Information

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<b>Directors</b>	N A McAlpine-Lee C A Hewitt
<b>Company secretary</b>	Gravitas Company Secretarial Services Limited
<b>Registered number</b>	11222614
<b>Registered office</b>	5th Floor One New Change London EC4M 9AF
<b>Independent auditor</b>	Ernst & Young LLP 400 Capability Green Luton LU1 3LU
<b>Bankers</b>	HSBC UK 69 Pall Mall London SW1Y 5EY
<b>Solicitors</b>	Pinsent Masons LLP 30 Crown Place London EC2A 4ES

# Heylo Housing Secured Bond Plc

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# Heylo Housing Secured Bond Plc

## Strategic Report For the Period Ended 31 March 2019

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### Introduction

The Directors present their Strategic Report of Heylo Housing Secured Bond Plc (“HHSB” or “the Company”) from 1 October 2018 to 31 March 2019.

### Business review

The Company is wholly owned by Heylo Housing Group Limited, the ultimate parent company of the Heylo Group companies. The Company changed its name from Heylo Housing Investments 4 Plc to Heylo Housing Secured Bond Plc on 21<sup>st</sup> August 2018.

The parent oversees the activities of each Heylo Group company. HHSB is a property investment company that acquires residential properties that it leases to Heylo Housing Registered Provider Limited (“HHRP”), a fellow subsidiary, which in turn on leases those properties on a part buy – part rent basis to the Heylo Group’s customers.

HHSB was established during the year and although not active at the year end, had commenced trading prior to the date of signing these accounts and was awarded Investment Partner status by Homes England to participate in the Shared Ownership and Affordable Homes Programme 2016-2021 (“SOAHP”). As at the date of signing, the company had acquired 79 properties from 3 housebuilders, with associated grant received of £2.3 million and 9 second hand properties via the Your Home product.

HHRP, is a registered provider of social housing with the Regulator of Social Housing (registration number 4668).

### Principal risks and uncertainties

The management of the business and the nature of the Group’s strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

The directors are of the opinion that the risk management processes adopted, which involve review, monitoring, and where possible, the mitigation of the risks identified below, are appropriate to the business.

#### a) Credit risk

Since year end, the Company has issued bonds and pays both interest and principal payments to its bondholders. The Company has granted security over its property portfolio in support of these bonds. The rental income from the property portfolio is due from many individual occupiers. Every occupier is assessed for affordability in accordance with the guidance from Homes England before entering into a lease. A significant reduction in the value of the property portfolio or in the rental collection could impact on the Company’s financial covenants. The Company aims to mitigate liquidity risk by operating with headroom to these covenants.

#### b) Interest rate cash flow risk

Interest rate cash flow risk is the risk that the future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company has no direct exposure to interest rates as all amounts owed to external bondholders are linked to inflation rather than interest rates. The Company's rental income streams are linked to inflation and so should move proportionate to the payments due under the Company's financial instruments. The Company further manages this risk by monitoring cash flow projections on a regular basis to ensure that funds or appropriate facilities are available to be drawn upon as necessary.

#### c) Capital risk management

The Company manages share capital, consisting of ordinary shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The capital structure will be determined by ongoing funding requirements.

# Heylo Housing Secured Bond Plc

## Strategic Report For the Period Ended 31 March 2019

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### d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's borrowings are repayable on the relevant maturity of the bonds and accordingly the Company manages any refinance risk at maturity. The Company aims to further mitigate liquidity risk through regular monitoring of its cash flow forecasts.

This report was approved by the board on

and signed on its behalf.

**C Hewitt**  
Director

# Heylo Housing Secured Bond Plc

## Directors' Report For the Period Ended 31 March 2019

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The directors present their report and the financial statements for the half year ended 31 March 2019.

### Results and dividends

The loss for the period, after taxation, amounted to £170,000.

The directors do not recommend the payment of a dividend.

### Overview and principal activities

The Company is a property investment company that specialises in part buy – part rent residential property.

Details of the Company's objectives and policies for financial risk management and its exposure to credit risk, interest rate cash flow risk and liquidity risk are provided in the Principal risks and uncertainties section of the Strategic report.

### Directors

The directors who served during the period were:

N A McAlpine-Lee (appointed 23 February 2018)

C A Hewitt (appointed 23 February 2018)

### Future developments

The business strategy of the Company is to invest in residential properties provided on a part buy – part rent basis.

### Qualifying third party indemnity provisions

The group parent has put in place qualifying third party indemnity provisions for all of the directors of Heylo Group, and each of its group companies, which remain in force at the date of this report.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information (being information needed by the auditor in connection with preparing their report), of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

# Heylo Housing Secured Bond Plc

## Directors' Report For the Period Ended 31 March 2019

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Following approval of a Base Prospectus on 28<sup>th</sup> September 2018 by the UK Financial Conduct Authority, on 8<sup>th</sup> October the Company announced the launch of its Secured 1.625% Inflation Linked 10-Year Sterling Bond (the "Bonds") and on 22<sup>nd</sup> October closed the Offer Period and issued £20,000,000 of Bonds, of which £14,674,000 was placed with investors and £5,326,000 was retained in treasury by the Company. As at the date of signing, the company has sold a further £750,000 of bonds from treasury and acquired properties at a cost of £13,500,000.

The Bonds have been admitted to trading on the London Stock Exchange plc's regulated market, through its order book for fixed income securities.

As at the date of signing, the company had acquired 79 properties from 3 housebuilders, with an associated grant allocation of £2.3 million and 9 second hand properties via the Your Home product.

### **Going concern**

The directors have prepared the accounts on a going concern basis.

### **Auditors**

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

**C Hewitt**  
Director

# Heylo Housing Secured Bond Plc

Company Number 11222614

## Statement of Comprehensive Income For the Half Year Ended 31 March 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state whether the Company financial statements have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



**Heylo Housing Secured Bond Plc**  
Company Number 11222614

**Statement of Comprehensive Income**  
**For the Half Year Ended 31 March 2019**

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	<b>Note</b>	<b>Period ended 31 March 2019 £'000</b>
Turnover		61
<b>Gross profit</b>		<b>61</b>
Administrative expenses		(124)
Other operating expenses		-
		<hr/>
<b>Operating profit</b>	4	<b>(63)</b>
Interest receivable and similar income		-
Interest payable and similar expenses		(107)
<b>Loss before taxation</b>		<b>(170)</b>
		<hr/>
Tax on profit	7	-
		<hr/>
<b>Loss for the year</b>		<b>(170)</b>
		<hr/>
<b>Total comprehensive income for the year</b>		<b>(170)</b>
		<hr/>

All profit and comprehensive income are attributable to the owners of the parent company.

The notes on pages 17 to 21 form part of these financial statements.

**Heylo Housing Secured Bond Plc**  
Company Number 11222614

**Statement of Financial Position**  
As at 31 March 2019

	Note	2018 £'000	2018 £'000
<b>Fixed assets</b>			
Investment property			14,827
<b>Current assets</b>			
Debtors: amounts falling due within one year		45	
Cash at bank and in hand		100	
		145	
Creditors: amounts falling due within one year	11	(28)	
<b>Net current assets</b>			<b>117</b>
<b>Total assets less current liabilities</b>			<b>14,944</b>
Creditors: amounts falling due after more than one year			(367)
<b>Provisions for liabilities</b>			
Deferred taxation			-
<b>Net assets</b>			<b>14,577</b>
<b>Capital and reserves</b>			
Called up share capital			50
Non-distributable reserves			14,697
Profit and loss account			(170)
<b>Equity attributable to owners of the parent Company</b>			<b>14,577</b>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on

**C Hewitt**  
Director

The notes on pages 10 to 15 form part of these financial statements.

# Heylo Housing Secured Bond Plc

## Company Statement of Changes in Equity For the Half Year Ended 31 March 2019

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	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>At 1 October 2018</b>		-	-	-
<b>Share capital issued</b>	9	50	-	50
Loss for the period		(170)	-	(170)
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	-	-
<b>At 31 March 2019</b>	9, 10	<b>(120)</b>	-	<b>(120)</b>

# Heylo Housing Secured Bond Plc

## Statement of Cash Flows For the Half Year Ended 31 March 2019

	Note	Period ended 30 March 2019 £'000
<b>Cash flows from operating activities</b>		
Profit for the financial year		-
<b>Adjustments for:</b>		
Interest paid		-
Interest received		-
Taxation		-
Decrease/(increase) in debtors		-
Decrease/(increase) creditors		-
Gain from changes in fair value of investment property		-
<b>Net cash flows from operating activities</b>		<b>-</b>
<b>Cash flows from investing activities</b>		
Purchase of investment properties		-
Grants received re investment properties		-
Sale of investment properties		-
Deposits receivable on investment properties		-
Deposits payable on investment properties		-
Interest received		-
<b>Net cash used in investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	9	<b>13</b>
Capital repayments on borrowing		-
Debt issue costs incurred		-
Net borrowing issued		-
Interest paid		-
<b>Net cash flow from financing activities</b>		<b>13</b>
Net increase in cash and cash equivalents		<b>13</b>
Cash and cash equivalents at beginning of the period	8	-
Cash and cash equivalents at end of the period	8, 9	<b>13</b>

# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

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### 1. General information

Heylo Housing Secured Bond Plc ('the Company' or 'HHSB') is a public company limited by shares and incorporated and registered in England & Wales under the Companies Act and its registered number is 11222614. The registered office is 5th Floor, One New Change, London, EC4M 9AF.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as part of the group. The financial statements have also been prepared on a going concern basis.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements have been prepared under the historical cost convention, except for financial instruments that have been measured at fair value. These financial statements are the Company's first set of financial statements prepared in accordance with IFRS.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. The financial statements cover the period from the date of incorporation, 23rd February 2018 to 30th September 2018. The period end 30th September 2018 coincides with the year end of the ultimate controlling party, the parent company.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies however, no key judgements were made in the current year.

#### 2.2 IFRS – standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted however, these standards are not applicable to the Company in the current accounting period.

# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

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### 2.3 Revenue

The Company did not trade during the period to 30<sup>th</sup> September 2018 so has no revenue to report however in future, revenue shall comprise the rent received from the Company's property portfolio. Revenue will be shown net of value-added tax.

Rentals under operating leases are recognised on a straight-line basis over the lease term. Future changes in the level of lease receivable caused by inflation will be recognised as an adjustment to rental income.

### 2.4 Current and deferred taxation

The tax expense comprises current tax and deferred tax. Tax is recognised in the Income Statement.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

### 2.5 Financial instruments

The Company applies the recognition and measurement provisions of IFRS 9 'Financial Instruments' and the disclosure requirements to account for all of its financial instruments.

#### Financial assets

##### **Trade and other receivables**

Trade and other receivables are measured at amortised cost using the effective interest rate method. Financial assets that do not have a significant financing component are measured for impairment purposes using a simplified lifetime expected loss approach as permitted by IFRS 9. No impairment was deemed necessary in the current accounting period as the trade receivables balance represents amounts owed by parent undertaking (Note 7).

##### **Cash and cash equivalents**

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 3. Segmental information

In determining the Company's operating segment, management has primarily considered the financial information in the internal reports that are reviewed and used by the Board of Directors (in aggregate the chief operating decision maker) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Company has a single operating segment, specialising in part buy – part rent residential property.

### 4. Operating profit

The operating profit is stated after charging:

	<b>Period ended 31 March 2019 £'000</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	-
Fees payable to the Company's auditor and its associates for other services	-
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The audit fee was borne by Heylo Housing Group Limited, the parent undertaking. The fee is not recharged.

# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

### 5. Directors remuneration and staff costs

The Company has no employees. The directors did not receive any remuneration.

### 6. Taxation

	Half Year ended 31 March 2018 £'000
<b>Total current tax</b>	-
<b>Deferred tax</b>	-
Origination and reversal of timing differences	-
<b>Total deferred tax</b>	-
<b>Taxation on profit</b>	-

On 26 October 2016, legislation was substantively enacted in the UK to reduce the standard rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. On 6 September 2017, legislation was substantively enacted in the UK to reduce the rate from 1 April 2020 down from 18% to 17%

### 7. Trade and other receivables

	2019 £'000
Amounts owed by Parent undertakings	37
	37



# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

### 8. Financial instruments

	2019 £'000
<b>Financial assets</b>	
Financial assets measured at amortised cost	50
	<u>50</u>
<b>Financial liabilities</b>	
Financial liabilities measured at amortised cost	-
	<u>-</u>
Financial assets measured at amortised comprise of cash and amounts owed by parent undertakings.	

### 9. Share capital

	2019 £'000
<b>Shares issued during the year and classified as equity</b>	
<b>Allotted, called up and fully paid</b>	
12,500 Ordinary shares of £1 each	13
<b>Allotted and called up</b>	
37,500 Ordinary shares of £1 each	37
	<u>50</u>
	<u>50</u>

Authorised share capital: 50,000 ordinary shares of £1 each.

The shares have attached to them full voting, dividend and capital distribution rights.

### 10. Reserves

#### Retained earnings

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments excluding non-distributable reserves. No dividends were paid during the accounting period.

# Heylo Housing Secured Bond Plc

## Notes to the Financial Statements For the Half Year Ended 31 March 2019

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### 11. Related party transactions

The ultimate controlling party is the parent company, Heylo Housing Group Limited.

The Company has entered into a long-term management agreement with ResiManagement Limited, a company with common shareholders and directors to the Company's parent, Heylo Housing Group Limited. Under the management agreement, the Company will pay fees to ResiManagement Limited for the provision of asset sourcing and management services to the Company.

Except as disclosed elsewhere in the financial statements, there are no other related party transactions.

### 12. Events after the reporting period

Following approval of a Base Prospectus on 28<sup>th</sup> September 2018 by the UK Financial Conduct Authority, on 8<sup>th</sup> October the Company announced the launch of its Secured 1.625% Inflation Linked 10-Year Sterling Bond (the "Bonds") and on 22<sup>nd</sup> October closed the Offer Period and issued £20,000,000 of Bonds, of which £14,674,000 was placed with investors and £5,326,000 was retained in treasury by the Company. As at the date of signing, the company has sold a further £750,000 of bonds from treasury and acquired properties at a cost of £13,500,000.

The Bonds have been admitted to trading on the London Stock Exchange plc's regulated market, through its order book for fixed income securities.

As at the date of signing, the company had acquired 79 properties from 3 housebuilders, with an associated grant allocation of £2.3 million and 9 second hand properties via the Your Home product.

### 13. Controlling party

The largest and smallest group in which the Company is consolidated is that headed by Heylo Housing Group Limited. The consolidated accounts of Heylo Housing Group Limited are available to the public from its registered office, 5th Floor, One New Change, London, EC4M 9AF.

The ultimate controlling party is the parent company.