

Heylo Housing Secured Bond Plc

Report and Financial Statements

Period Ended

30 September 2018

Company Number 11222614



Heylo Housing Secured Bond Plc

Company Information

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

Heylo Housing Secured Bond Plc

Contents

	Page
Strategic Report	1 – 2
Directors' Report	3 – 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 – 11
Statement of Comprehensive Income	12
Statement of Financial Position	13
Statement of Changes in Equity	14
Statement of Cash Flows	15
Notes to the Financial Statements	16 - 21

Heylo Housing Secured Bond Plc

Strategic Report For the Period Ended 30 September 2018

Introduction

The Directors present their Strategic Report of Heylo Housing Secured Bond Plc ("HHSB" or "the Company") from 23 February 2018 to 30 September 2018.

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 21st 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 30 September 2018

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 *27 March 2019* and signed on its behalf.



C Hewitt
Director

Heylo Housing Secured Bond Plc

Directors' Report For the Period Ended 30 September 2018

The directors present their report and the financial statements for the period ended 30 September 2018.

Results and dividends

The profit for the period, after taxation, amounted to £Nil as the company had not commenced trading as at the year end.

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 30 September 2018

Post balance sheet events

Following approval of a Base Prospectus on 28th September 2018 by the UK Financial Conduct Authority, on 8th October the Company announced the launch of its Secured 1.625% Inflation Linked 10-Year Sterling Bond (the "Bonds") and on 22nd 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 *27 March 2019* and signed on its behalf.



C Hewitt
Director

Heylo Housing Secured Bond Plc

Directors' Responsibilities Statement For the Period Ended 30 September 2018

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

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Opinion

We have audited the financial statements of Heylo Housing Secured bond plc for the period ended 30 September 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 30 September 2018 and of its profit for the period then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Management override of controls – Existence of cash balances
Materiality	• Overall materiality of £250 which represents 0.5% of Total Assets.

Heylo Housing Secured Bond Plc

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to Management
<p>Management override of controls – Cash (£13k)</p> <p><i>Accounting policies (page 18); and Note 8 of the Financial Statements (page 20)</i></p> <p>In accordance with International Standards on Auditing (UK) there is a presumed fraud risk relating to management override of controls. We consider the risk relating to cash to be low given that the transactions are routine and low volume.</p> <p>Accordingly, the fraud risk for management override is limited to manual journal entries and other adjustments made at the end of a reporting period.</p>	<p>We obtained third party bank statements to confirm the period end cash balance.</p> <p>We performed journal entry testing to identify any adjustments made to the period end cash position.</p>	<p>Based on the procedures performed we did not identify any evidence of material misstatement in the cash recognised at the period end.</p>

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Heylo Housing Secured Bond Plc

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £250, which is approximately 0.5% of total assets. We believe that total assets provides us with the most relevant performance measure to the stakeholders.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £125. We have set performance materiality at this percentage due to this being the first year of audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with management that we would report to them all uncorrected audit differences in excess of £13, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Heylo Housing Secured Bond Plc

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Heylo Housing Secured Bond Plc

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant is the Company's Act 2006.
- We understood how Heylo Housing secured bond plc is complying with those frameworks by understanding the oversight of those charged with, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by misappropriation of assets.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries of management and reviewing board minutes held during the period.
- We understood the current and future activities and the effectiveness of the Company's control environment.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- ▶ We were appointed by the company on 22 January 2019 to audit the financial statements for the period ending 30 September 2018 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 1 period, covering the period ending 2018.

- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.

Heylo Housing Secured Bond Plc

Independent Auditor's Report to the Members of Heylo Housing Secured Bond Plc

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Clewer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Luton

Date

3/4/19

Heylo Housing Secured Bond Plc
Company Number 11222614

Statement of Comprehensive Income
For the Period Ended 30 September 2018

	Note	Period ended 30 September 2018 £'000
Revenue		-
Operating profit	4	<hr/> -
Profit before taxation		<hr/> -
Income tax	6	-
Profit and total comprehensive income for the period		<hr/> <hr/> -

All profit and comprehensive income is attributable to the parent company.

The notes on pages 16 to 21 form part of these financial statements.

Heylo Housing Secured Bond Plc
Company Number 11222614

Statement of Financial Position
As at 30 September 2018

	Note	2018 £'000
Assets		
Current assets		
Trade and other receivables	7, 8	37
Cash at bank and in hand	8	13
Net assets		<u>50</u>
Issued capital and reserves		
Share capital	9	50
Retained earnings	10	-
Total equity		<u>50</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on *27 March 2019*.



C Hewitt
Director

The notes on pages 16 to 21 form part of these financial statements.

Heylo Housing Secured Bond Plc

Company Statement of Changes in Equity For the Period Ended 30 September 2018

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
At 23 February 2018		-	-	-
Share capital issued	9	50	-	50
Profit for the period		-	-	-
Other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	-	-
At 30 September 2018	9, 10	50	-	50

Heylo Housing Secured Bond Plc

Statement of Cash Flows For the Period Ended 30 September 2018

	Note	Period ended 30 September 2018 £'000
Cash flows from operating activities		
Profit for the financial year		-
Adjustments for:		
Interest paid		-
Interest received		-
Taxation		-
Decrease/(increase) in debtors		-
Decrease/(increase) creditors		-
Gain from changes in fair value of investment property		-
Net cash flows from operating activities		-
Cash flows from investing activities		
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		-
Net cash used in investing activities		-
Cash flows from financing activities		
Proceeds from issue of ordinary shares	9	13
Capital repayments on borrowing		-
Debt issue costs incurred		-
Net borrowing issued		-
Interest paid		-
Net cash flow from financing activities		13
Net increase in cash and cash equivalents		13
Cash and cash equivalents at beginning of the period	8	-
Cash and cash equivalents at end of the period	8, 9	13

Heylo Housing Secured Bond Plc

Notes to the Financial Statements For the Period Ended 30 September 2018

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 Period Ended 30 September 2018

2.3 Revenue

The Company did not trade during the period to 30th 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 Period Ended 30 September 2018

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:

	Period ended 30 September 2018 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5
Fees payable to the Company's auditor and its associates for other services	-
	<hr/>

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 Period Ended 30 September 2018

5. Directors remuneration and staff costs

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

6. Income tax

	Period ended 30 September 2018 £'000
Income tax	-
Deferred tax	-
Origination and reversal of timing differences	-
Income tax expense reported in the income statement	-

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

	2018 £'000
Amounts owed by Parent undertakings	37
	37

Heylo Housing Secured Bond Plc

Notes to the Financial Statements
For the Period Ended 30 September 2018

8. Financial instruments

	2018 £'000
Financial assets	
Financial assets measured at amortised cost	50
Financial liabilities	
Financial liabilities measured at amortised cost	-
Financial assets measured at amortised comprise of cash and amounts owed by parent undertakings.	

9. Share capital

	2018 £'000
Shares issued during the year and classified as equity	
Allotted, called up and fully paid	
12,500 Ordinary shares of £1 each	13
Allotted and called up	
37,500 Ordinary shares of £1 each	37
	<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 Period Ended 30 September 2018

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 28th September 2018 by the UK Financial Conduct Authority, on 8th October the Company announced the launch of its Secured 1.625% Inflation Linked 10-Year Sterling Bond (the "Bonds") and on 22nd 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.