Heylo Housing Secured Bond plc

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1.625% Inflation-Linked Secured Sterling Bonds due 2028

8 October 2018

Lead Manager

BondCap

Authorised Offerors

AJ Bell Securities Limited

iDealing.com Limited

NCL Capital Markets, a registered trading name of King & Shaxson Limited (Institutional investors only)

Redmayne-Bentley LLP

RIA Capital Markets Limited (Institutional investors only)

Saga Personal Finance

Selftrade

Shareview

Winterflood Securities Limited (Institutional investors only)

The information contained herein may only be released or distributed in the UK, Jersey, the Bailiwick of Guernsey and the Isle of Man; in each case in accordance with applicable regulatory requirements. This is an advertisement and not a prospectus. Any decision to purchase or sell the Bonds should be made solely on the basis of a careful review of the Base Prospectus dated 28 September 2018 and the Final Terms dated 8 October 2018. You should be aware that you could get back less than you invested or lose your entire initial investment. The Base Prospectus and the Final Terms are available at **www.heylohousing.com/bonds**

Important information

This Information Booklet is a financial promotion and is not intended to be investment advice nor is it an offer for the sale or subscription of any Bonds.

This Information Booklet is an advertisement for the purposes of Prospectus Rule 3.3 and Article 34 of Commission Regulation (EC) No 809/2004 (as amended) and is not a prospectus for the purposes of EU Directive 2003/71/EC (as amended) (the "Directive") and/or Part VI of the Financial Services and Markets Act 2000 (the "FSMA").

Heylo Housing Secured Bond plc (the "Issuer") is the legal entity that will issue the Bonds (the meaning of that term is explained below).

Any decision to purchase or sell the Bonds should be made solely on the basis of a careful review of the Base Prospectus and Final Terms.

This Information Booklet is a financial promotion made by the Issuer and approved by Social Investment Market CIC ("SIMCIC") solely for the purposes of section 21(2)(b) of the FSMA. SIMCIC (incorporated in England No. 10664997) whose registered office is at 1 Regents Place, London, SE3 0LX is authorised and regulated by the Financial Conduct Authority. Bondinvest Capital Limited ("BondCap"), the Lead Manager in respect of the Bonds, is an appointed representative of SIMCIC.

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended, "MiFID II") and (ii) all channels for distribution of the Bonds are appropriate, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

This Information Booklet is not an offer for the subscription or sale of the Bonds (defined in the following paragraph).

This Information Booklet relates to the Issuer's inflation-linked Bonds due 2028 (referred to in this Information Booklet as the "**Bonds**"). A base prospectus dated 28 September 2018 (the "**Base Prospectus**") relating to the Issuer's Euro Medium Term Note Programme and the final terms dated 8 October 2018 (the "**Final Terms**") that apply to the Bonds have been prepared and made available to the public in accordance with the Directive. Copies of the Base Prospectus, the Final Terms and the KID (as defined below) are available from the Heylo Group's website (www.heylohousing.com/bonds). Your Authorised Offeror should also provide you with a copy of the Base Prospectus, the Final Terms and the KID.

A key information document ("**KID**") pursuant to PRIPPS Regulation (EU) No 1286/2014 has been prepared by the Issuer in connection with the Bonds and made available on the Heylo Group's website. If you have not received a copy of the KID you should request this from your Authorised Offeror prior to making any investment decision in relation to the Bonds.

This Information Booklet should not be relied on for making any investment decision in relation to the purchase of the Bonds. Any investment decision should be made solely on the basis of a careful review of the Base Prospectus and the Final Terms. Please therefore read the Base Prospectus and the Final Terms carefully before you invest. You should ensure that you understand and accept the risks relating to an investment in the Bonds before making such an investment. You should seek your own professional investment, legal and tax advice as to whether an investment in the Bonds is suitable for you.

The Bonds may only be sold in Jersey in compliance with the provisions of the Control of Borrowing (Jersey) Order 1958. The Bonds may only be sold in Guernsey in compliance with the provisions of the Protection of Investors (Bailiwick of Guernsey) Law, 1987. The Bonds may only be sold in the Isle of Man in compliance with the provisions of the Isle of Man Financial Services Act 2008 and the Regulated Activities Order 2011.

This Information Booklet is not for distribution in the United States of America or to U.S. persons. The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons. You are referred to the section headed "**Subscription and Sale**" in the Base Prospectus on page 148.

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Heylo Housing Secured Bond plc

1.625% Inflation-Linked Secured Sterling Bonds due 2028

The Heylo Housing Secured Retail Bond plc Inflation-Linked 10-year Sterling Bonds offer an interest rate of 1.625% per annum which will be adjusted to take account of the effects of inflation as described in the '**Interest on the Bonds**' section on page 5. The redemption value of the Bonds will also be adjusted to take account of the effects of inflation as described in the "**Face value of the Bonds and RPI adjustment**" section on page 8. The effect of inflation on both the interest paid, and the redemption value of the Bonds, is measured by movements in the UK Retail Prices Index ("**RPI**").

Interest will be paid semi-annually on 31 March and 30 September in each year starting 31 March 2019, until the Maturity Date (as defined below). Interest is calculated on an inflation adjusted basis as described in this document.

Unless previously redeemed or purchased and cancelled (as further described in the Base Prospectus and the Final Terms), on the day that the Bonds finally mature i.e. 30 September 2028 (the "**Maturity Date**"), the Issuer will be required to repay an amount that will be no less than the face value of the Bonds, adjusted upwards to reflect any increase in the RPI as described in this document.

If the Issuer goes out of business or if the Issuer becomes insolvent before the Maturity Date, you may lose some or all of your investment.

The only way to purchase the Bonds is through a stockbroker or other financial intermediary, which has been granted consent by the Issuer to use the Base Prospectus and Final Terms for the purposes of making offers of the Bonds to investors (an "**Authorised Offeror**"). Contact your stockbroker or other financial intermediary today, or any of those listed in the "**Authorised Offerors**" section of this document on page 16 if you wish to purchase the Bonds. The minimum initial amount of Bonds that you may buy is £2,000. Purchases of greater than £2,000 must be in multiples of £100. After the initial purchase of Bonds, the Bonds can be bought and sold in multiples of £100. Your Authorised Offeror should provide you with a copy of the Base Prospectus, the Final Terms and the KID. You are referred to the section headed "**Important Information**" on page 2 of this document.

Contents

Heylo Housing Secured Bond plc (continued)

What is a bond?

A bond is a form of borrowing by a company seeking to raise funds from investors. The bonds have a fixed life. The company promises to pay a rate of interest (the "**Coupon**") to the investor (i.e. the bondholder) periodically until the date when the bond becomes repayable (usually its maturity date, although bonds may become repayable early in certain circumstances) when it also promises to repay the amount borrowed. Bondholders do not have to keep the bonds until the maturity date. A bond is a tradable instrument whereas a traditional loan (including a normal bank deposit or bank account) is not. The market price of a bond will fluctuate between the start of the bond's life and when it matures.

As with any investment, there is a risk that a bondholder could get back less than their initial investment or lose their initial investment, including if they sell their bonds at a price lower than that which they paid for them. Please see the "How to trade the Bonds" section on page 15.

The Retail Prices Index

The Retail Prices Index ("**RPI**") is the most familiar general purpose domestic measure of inflation in the UK. The RPI has been used as a measure of inflation since 1947 and measures the average change from month-to-month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys. The RPI is compiled by the UK Office of National Statistics (the "**ONS**") using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the RPI.

The UK Government currently uses the RPI for its own existing inflation-linked bonds. If prices rise compared to the previous month, the RPI goes up and, conversely, if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the RPI, so they publish each month's RPI figure during the following month (e.g. the figure relating to March will be published in April). The RPI figures used in the calculation of interest payments on the Bonds and the redemption amount of the Bonds are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on the RPI, including past and current levels and its volatility, can be found at the following website: **https://www.ons.gov.uk/economy/inflationandpriceindices**

What is an RPI inflation-linked bond?

An RPI-linked bond is a type of bond where the amount of interest paid and the amount repayable are both adjusted in line with the UK Retail Prices Index ("**RPI**"). This means that both the coupon amounts paid periodically and the principal (i.e. the face value of the bond) required to be paid on the maturity date are adjusted to take account of changes in the RPI during the life of the bonds. In addition to the coupon amounts each period, bondholders also receive inflation on their holding of the bonds.

The Bonds have a "**Limited**" feature, meaning that the interest amount payable in respect of the Bonds will not decrease as a result of deflation and, on redemption of the nominal amount of the Bonds on their Maturity Date, not less than 100 per cent. of the original principal value of the Bonds will be repayable to Bondholders.

Heylo Housing Secured Bond plc (continued)

Interest on the Bonds

The real rate of interest offered on the Bonds (i.e. the rate before taking inflation into account) is fixed when the Bonds are issued. The rate of interest for these Bonds is 1.625% (before any adjustments for inflation). The Issuer will pay interest in two half yearly instalments until the Maturity Date.

The calculation for the interest payable for the first coupon payment date per £100 initial face value of the Bonds is explained below. Further details are also available in Section IV of the Base Prospectus. Under inflationary conditions, the adjusted nominal value of the Bonds will increase and, therefore, so will the amount of interest payable.

To calculate the amount of interest payable on a coupon payment date, follow steps 1-3 below:

1. Calculate the change in inflation (the "**inflation factor**") for the relevant measurement period.
2. Calculate the adjusted nominal value of the Bond on the coupon payment date. Use the inflation factor to adjust the nominal value of the Bonds on the coupn payment date. On the issue date, the nominal value is par, or £100 per Bond. On the first coupon payment date (i.e. 31 March 2019) the adjusted nominal value is the prior period nominal value (£100) multiplied by the inflation factor.
3. Calculate the interest payable (to the nearest penny) per £100 face value of the bonds using the equation below:

   (Coupon on the Bond / 2*) x (adjusted nominal value) x (day count fraction)**

*Note the issuer will pay interest in two half yearly instalments until the Maturity Date which is why the Coupon on the Bond in the equation is divided by two.

**The day count fraction is equal to 1 when calculating the interest payable for a complete semi-annual period. However, the day count fraction used for the first interest payment calculation is 0.8407 because the first interest period (from 29 October 2018 to 31 March 2019) is less than a complete semi-annual period.

The day count fraction is calculated by taking the actual number of days for which you are entitled to receive interest (153 days) divided by the number of actual days in the semi-annual period (182 days). The day count fraction for the first coupon payment is equal to 153 days / 182 days = 0.8407

The following example demonstrates Steps 1-3 using actual information relevant to the first coupon payment on the Bonds.

Heylo Housing Secured Bond plc (continued)

Step 1: calculate the change in inflation relevant to the first coupon date of 31 March 2019

The change in inflation is based on the change in inflation between two dates in the past (the relevant measurement period). A typical way in which this is done is to take the RPI index value for the month that is 8 months before the relevant coupon payment date (called the "**interest payment *reference* month**") and to divide this by the RPI index value for the month that is 8 months before the first day of the relevant interest period (called the "**interest payment *base* month**").

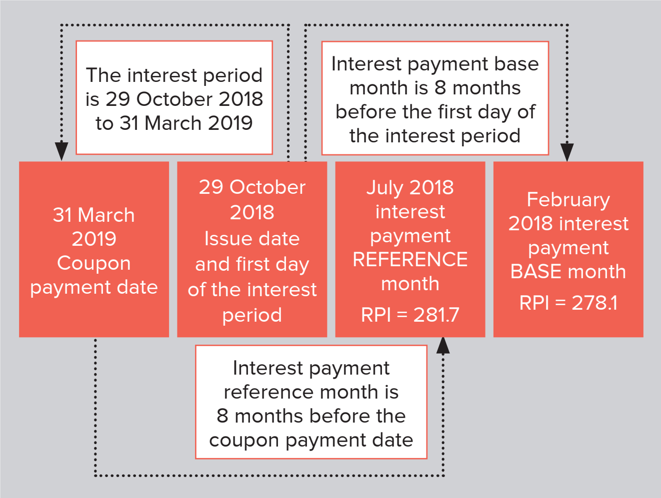
The Bonds will be issued on 29 October 2018 and so this is the first day of the relevant interest period and the day on which you start earning interest. The interest payment base month is 8 months before October 2018 which is February 2018 and the RPI level for February 2018 is 278.1.

The Bond pays the first coupon on 31 March 2019 and the interest payment *reference* month is July 2018 (being 8 months prior to the coupon payment date). The July 2018 RPI level is 281.7.

The inflation factor (the change in inflation) is then calculated as:

interest payment *reference* month RPI level divided by interest payment *base* month RPI level

= 281.7 / 278.1 = 1.012945



Step 2: calculate the adjusted nominal value of the Bond on the first coupon payment date

On the first coupon payment date, the adjusted nominal value is simply the prior period nominal value (which is £100, the amount paid for each Bond at issue) multiplied by the inflation factor calculated in Step 1.

Adjusted nominal value = £100 x 1.012945 = £101.29

Note: on the second coupon payment date, the adjusted nominal value would be equal to £101.29 multiplied by the inflation factor associated with the second coupon measurement period.

For instance, if on the second coupon payment date the inflation factor is 1.015, the adjusted nominal value would be equal to £101.29 x 1.015 = £102.80 (which in turn, becomes the prior period nominal value when calculating the third coupon payment). See the table to the right.

This table is for demonstration purposes only and serves only to demonstrate how the adjusted nominal value for a particular coupon becomes the prior period nominal value when calculating the next adjusted nominal. The table assumes constant inflation of 1.5% each semi-annual period after the first coupon is paid.

Coupon number	Prior period nominal value	Adjusted nominal value
1	£100.00	£101.29
2	£101.29	£102.80
3	£102.80	£104.33
...	...	
...	...	
19	£130.23	£132.17
20	£132.17	£134.13

Heylo Housing Secured Bond plc (continued)

Step 3: calculate the interest to be paid per £100 Bond and per £2,000 minimum initial purchase of Bonds on the first coupon payment date

The interest to be paid per £100 Bond purchased
= (Coupon on the Bond / 2) x (adjusted nominal value) x (day count fraction*)
= (1.625% / 2) x (£101.29) x (153/182)
= £0.69 rounded to the nearest penny

*For the first coupon period, the day count fraction is calculated by taking the actual number of days for which you are entitled to receive interest in the semi-annual period divided by the number of actual days in the semi-annual period. The day count fraction for the first coupon payment is therefore equal to 153 days / 182 days = 0.8407. Note, the day count fraction is equal to 1.0 for all other complete semi-annual periods.

The interest payable per £2,000 minimum initial purchase
= Interest payable per £100 x (£2,000/£100)

= £0.69 x 20 = £13.80

Future coupon payments beyond the first coupon payment will depend on how the RPI changes in the relevant measurement period for each coupon payment date.

Calculating the interest to be paid on the second coupon payment date per £2,000 of Bonds

As an example, the table below shows what the interest payable on the second coupon payment date of 30 September 2019 could be, calculated under different potential RPI scenarios and assuming £2,000 of Bonds are purchased at issue and are still owned on the second coupon payment date of 30 September 2019.

Steps 1-3, described above, are used to calculate the amount of interest payable on the second coupon payment date.

Potential RPI change in Year 1	Coupon payment date RPI Index figure relating to Jan 2019	RPI Index Base Figure relating to July 2018	Inflation factor	Prior period nominal value (the value of the Bond at the first coupon payment date)	Adjusted Nominal Value on the second coupon payment date	Interest Payable (per £2,000 of bonds)
			STEP 1		STEP 2	STEP 3
	A	B	C = A / B (if less than 1.0, set equal to 1.0)	D	E = C x D	F = E x (coupon/2) x 20 x 1.0*
5%	288.66	281.70	1.024695	101.29	103.80	£16.80
3%	285.89	281.70	1.014889	101.29	102.80	£16.80
1%	283.10	281.70	1.004988	101.29	101.80	£16.60
-1%	280.29	281.70	1.000000	101.29	101.29	£16.40
-3%	277.44	281.70	1.000000	101.29	101.29	£16.40
-5%	274.57	281.70	1.000000	101.29	101.29	£16.40

*Note that in Step 3, the Day Count is 1.0 because you will be entitled to receive interest for the full semi-annual period leading up to the second coupon payment date.

**The Inflation Linked Notes are "Limited", meaning that the interest amount payable in respect of the Notes will not decrease as a result of deflation. In the table and example above, the interest payable in the deflationary RPI scenarios is the same (£16.40) regardless of the amount of deflation.

FOR MORE DETAIL, YOU ARE REFERRED TO THE "**KEY RISKS OF INVESTING IN THE BONDS**" SECTION ON PAGE 11.

Heylo Housing Secured Bond plc (continued)

Face value of the Bonds and RPI adjustment

Assuming that at the relevant time the Issuer is able to pay its debts in full and the Bonds are not otherwise redeemed or purchased or cancelled as further described in the Base Prospectus and the Final Terms, the Bonds will be repaid on the Maturity Date at no less than their face value, adjusted upwards to reflect any increase in the RPI during the life of the Bonds.

As described above, the adjusted nominal value of each Bond will increase if there has been inflation during the relevant measurement period, or, if there has been a fall in inflation or no inflation during the relevant measurement period, the adjusted nominal value remains at the previous value.

As an example, if an investor owns £2,000 face value of Bonds, the table below shows how much would be due on the Maturity Date under different potential RPI scenarios. These illustrative examples are not indicators of future performance. Note, the first coupon is known at the time of issue and this increases the nominal value of the Bonds to £101.29. The RPI scenarios are then applied to all further coupon payments and adjustments of the nominal value of the Bonds.

Potential annual RPI change each year until maturity following first coupon	RPI adjusted redemption price per £100 of face value	Redemption cash amount due per £2,000 of face value of Bonds
5.0%	£161.02	£3,220.40
3.0%	£134.13	£2,682.60
1.0%	£111.34	£2,226.80
-1.0%	£101.29	£2,025.80
-3.0%	£101.29	£2,025.80
-5.0%	£101.29	£2,025.80

As a further explanation of the table above, if there is constant inflation of 3% per year (after the first coupon payment date) then the redemption price of each £100 of Bonds purchased is calculated as £134.13. If an investor buys the minimum £2,000 amount of Bonds at issue, then the redemption cash amount at maturity is calculated as £2,682.60.

In addition to the coupon amounts each period, the Bondholders also receive inflation on their holding of the Bonds.

FOR MORE DETAIL, YOU ARE REFERRED TO THE "**KEY RISKS OF INVESTING IN THE BONDS**" SECTION ON PAGE 11.

Key features of the Bonds

- **Issuer**: Heylo Secured Retail Bond plc
- **Interest payments**: Interest will be paid semi-annually on 31 March and 30 September in each year starting 31 March 2019, until the face value of the Bonds is repayable
- **Coupon**: 1.625% will be paid semi-annually on the adjusted nominal value, therefore as the adjusted nominal value increases with inflation then so does the interest payments
- **Inflation Index**: the nominal value of the Bonds increases with inflation - measured by the change in the U.K. Retail Prices Index (RPI) between the relevant measurement period. The amount repayable to Bondholders on the Maturity Date will therefore include inflation over the term of the Bonds
- **Offer period**: The Bonds are available for purchase through your stockbroker or other financial intermediary in the period from 8 October 2018 until 3.30pm (London time) on 22 October 2018 or such earlier time and date as agreed by the Issuer and the Lead Manager and announced by the Issuer via the Regulatory News Service (RNS) operated by the London Stock Exchange (the "**End of Offer Date**")
- **Authorised Offerors**: A number of Authorised Offerors (listed on page 16 of this Information Booklet) have been approved by the Issuer to provide this Information Booklet, the Base Prospectus and the Final Terms to potential investors in the Bonds until the End of Offer Date. The Issuer has also granted its consent for other financial intermediaries to use this Information Booklet, the Base Prospectus and the Final Terms for the purposes of making offers of the Bonds to potential investors in the United Kingdom. The conditions attached to this consent are set out in the section headed "**Important Legal Information**" on page 154 of the Base Prospectus and in paragraphs 9(ix)(a) and 9(ix)(b) of Part B of the Final Terms. Any offer to sell the Bonds made by or received from any other party, or by any party after the End of Offer Date, may not have been approved by the Issuer and you should check with such party whether or not such party is so approved
- **Date on which the Bonds are issued and on which interest begins to accrue**: 29 October 2018
- **Term of the Bonds**: 10 years
- **Face value of each Bond:** £100
- **Issue Price of each Bond**: 100% of the face value of each Bond (i.e. £100)
- **Secured**: The Bonds have a security package in the form of an equitable mortgage (explained in more detail in section C8 of Part 1 (Summary) of the Base Prospectus granted by the Issuer over its title to UK residential properties acquired by it during the life of the Bonds, (ii) fixed charges over any insurance policies and other contractual rights that benefit the Issuer in relation to the Mortgaged Properties, (iii) a fixed charge over cash held in a specific charged account or permitted investments held by the Issuer from time to time and (iv) a floating charge over all of the other undertaking and assets, of the Issuer. See the Terms and Conditions of the Notes on page 74 of the Base Prospectus
- **Negative Pledge**: Under the Terms and Conditions of the Bonds, the Issuer has agreed that it will not allow there to be any security over its assets which ranks higher than or equal to the Bonds issued under the Programme. However, and for the avoidance of doubt, the Terms and Conditions of the Bonds do not prevent the customers of relevant properties (the freehold of which is owned by the Issuer) from creating a mortgage, fixed charge or other security interest in respect of, and to the extent of, its own leasehold ownership interest in such property. This will allow individual customers to obtain mortgages in respect of their leasehold interests. See the Terms and Conditions of the Notes on page 74 of the Base Prospectus
- **Asset Cover Covenant:** from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that the ratio of (i) the Value of its Properties; to (ii) the aggregate nominal amount of Bonds issued under the Programme (less cash and permitted investment amounts held by the Issuer) is equal to or greater than 1.20 : 1. See the Terms and Conditions of the Notes on page 74 of the Base Prospectus
- **Debt Service Cover Ratio ("DSCR") Covenant**: from and including 30 September 2019 and tested on each 31 March and 30 September thereafter, the Issuer has undertaken to ensure that it maintains a DSCR of at least 110% in respect of the 12-month period then ending. See the Terms and Conditions of the Notes on page 74 of the Base Prospectus
- **An Information Covenant:** on each covenant testing date the Issuer will publish a summary of the key characteristics of the properties owned by it at that time

Key features of the Bonds

- **Redemption value at Maturity Date**: Assuming that at the relevant time the Issuer is able to pay its debts in full and the Bonds are not otherwise redeemed or purchased or cancelled as further described in the Base Prospectus and the Final Terms, the Bonds will be repaid on the Maturity Date at no less than their face value, adjusted upwards to reflect any increase in the RPI during the life of the Bonds. See page 8 of this Information Booklet for examples of potential redemption values
- **Early redemption due to change in relevant taxation laws**: In the event of any change in, amendment to, or any change in the interpretation of taxation law in the United Kingdom that would result in the Issuer being required to pay additional amounts in respect of the Bonds, the Bonds may be redeemed early (in whole but not in part) as set out in "**Redemption for Taxation Reasons**" in the "**Terms and Conditions of the Notes**" at page 99 of the Base Prospectus
- **Trading**: Investors will, subject to market conditions, be able to buy Bonds or sell their Bonds during the term of the Bonds. You are referred to the section headed "**Key Risks of Investing in the Bonds**" and "**Further Information – How to trade the Bonds**" on pages 11 and 15 of this document for more details
- **Amount of Bonds to be issued**: The total amount of the Bonds to be issued will depend on the number of applications to purchase the Bonds received before the End of Offer Date. There is no minimum total amount of Bonds that may be issued
- **ISA and SIPP eligibility**: At the time of issue, the Bonds should, subject to any applicable limits, be eligible for investing in a Self-Invested Personal Pension ("**SIPP**") or ISA ("**Individual Savings Account**")
- **Listing**: The Bonds are also expected to be eligible for the London Stock Exchange's electronic Order book for Fixed Income Securities ("**OFIS**")
- **Bond ISIN**: XS1880955007
- **Lead Manager**: BondCap

You should refer to the "Important Information" and "Key Risks of Investing in the Bonds" sections on pages 2 and 11 of this Information Booklet and to the "Terms and Conditions of the Notes" as set out at page 74 in the Base Prospectus and the Final Terms. A copy of the Base Prospectus, the Final Terms and a KID ("Key Information Document") should have been provided to you by your stockbroker or financial adviser and are available for viewing at www.heylohousing.com/bonds

Key risks of investing in the Bonds

- A number of particularly important risks relating to an investment in the Bonds are set out below. **You must ensure that you understand the risks inherent in the Bonds**. The risks set out below are not intended to be a comprehensive list of all the risks that may apply to an investment in the Bonds.
- You should seek your own independent professional investment, legal and tax advice as to whether an investment in the Bonds is suitable for you. **You should be aware that you could get back less than you invest or lose your entire initial investment. Full details regarding the risk factors relating to the Issuer and the Bonds are set out in the section headed "Risk Factors" on pages 26 to 40 of the Base Prospectus. Please read them carefully.**
- **The Bonds are not protected by the Financial Services Compensation Scheme ("FSCS")**: Unlike a bank deposit, Bonds issued under the Programme are not protected by the FSCS. As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. **If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in Bonds issued under the Programme.**
- **Bonds are obligations of the Issuer only:** Any Bonds will be solely the obligations of the Issuer and will not be obligations or responsibilities of, or guaranteed by, any other entity. Furthermore, no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.
- **If you choose to sell your Bonds at any time prior to the Maturity Date, the price you receive from a purchaser could be less than your original investment.** Factors that will influence the market price of the Bonds include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the financial position of Heylo Housing Secured Bond plc. In particular, you should note that: if interest rates start to rise, then the income to be paid by the Bonds might become less attractive on a relative basis and the price you get if you sell is likely to fall. However, the market price of the Bonds has no effect on the income you receive or what you get back on maturity of the Bonds if you hold on to the Bonds for their full term.
- **There is no guarantee of what the market price for selling or buying the Bonds will be at any time or that a liquid secondary market will develop.** If prevailing market conditions reduce market demand for the Bonds, you may not be able to sell your Bonds as easily, or at the price you paid for them. Whilst the Issuer will make an application for the Bonds to be admitted to the London Stock Exchange's OFIS, and one or more market makers may be appointed in respect of the Bonds, there can be no guarantee that a significant market in the Bonds will develop. The market-maker may not continue to act as a market-maker for the life of the relevant Bonds. If a replacement market-maker was not appointed in such circumstances, this could have an adverse impact on an Investor's ability to sell the relevant Bonds. (See "**Further Information – How to trade the Bonds**" on page 15 of this Information Booklet).
- **Specific risks relating to Inflation Linked Bonds**: the Bonds will be exposed to the performance of the UK Retail Prices Index and this index may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced in the jurisdiction of the Bondholders. Any payments made under the Bonds may be based on a calculation made by reference to an inflation index for a month which is several months prior to the date of payment and therefore could be substantially different from the level of inflation at the time of payment on the Bonds.
- If the Retail Prices Index ceases to be published or where there is a fundamental change in the rules governing the Retail Prices Index, adjustments to such Index may be made, or a substitute index may be agreed. If an adjustment to the Retail Prices Index cannot be made or any substitute for the Index found then, in specified circumstances, the Issuer may redeem any Bonds linked to limited price indexation early. See Condition 8(f) (Redemption for Index Reasons) for further detail.
- The application of Condition 8(f) (Redemption for Index Reasons) may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon, or the timing of, any redemption of any Bonds linked to limited price indexation.

The Issuer, the Group Parent and the Heylo Group information

You should refer to the sections headed "**Business of the Issuer**" on pages 59 to 62 in the Base Prospectus for full information on the Issuer.

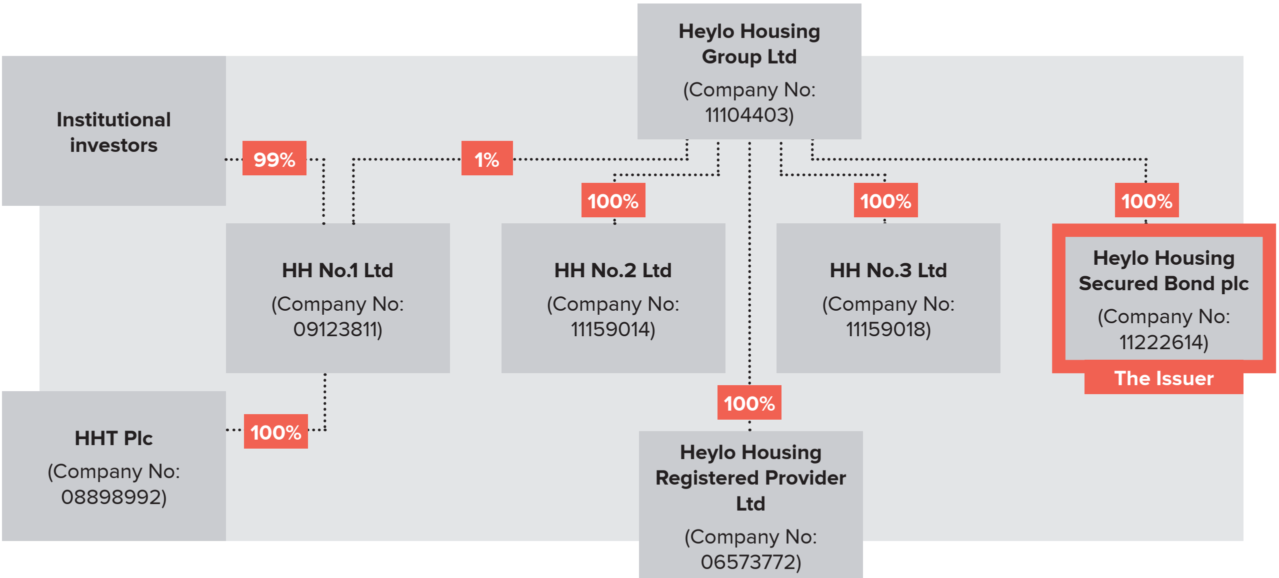
The Issuer

Heylo Housing Secured Bond plc (the "Issuer") was incorporated and registered in England and Wales on 23 February 2018 as Heylo Housing Investments 4 plc under the Companies Act 2006 as a public limited company with registered number 11222614. The Issuer changed its name to Heylo Housing Secured Bond plc on 21 August 2018. The principal legislation under which the Issuer operates is the Companies Act 2006.

Heylo Housing Group Limited

The Issuer is a wholly owned subsidiary of Heylo Housing Group Limited (the "Group Parent"), a company duly incorporated under the Companies Act 2006 in England and Wales with registered number 11104403 and its registered office situated at 5th Floor, One New Change, London EC4M 9AF.

The structure of the Heylo Group is illustrated in the following diagram:



The Group Parent directs the strategy for each of the group companies, including HH No. 1 Limited ("**HH No. 1**"), formerly named Heylo Housing Limited, the original business of the Heylo Group, established with the dual ambition of providing greater access to affordable home ownership and at the same time providing an inflation-linked return, secured against residential property for investors seeking to mitigate inflation-risk. Returns for investors are primarily derived from the rental income from the part buy – part rent properties which have annual, upwards only, inflation linked rent reviews.

Heylo Housing Group Limited is also the parent company of a number of other investment companies, including Heylo Housing Registered Provider Limited, which will be the landlord under its leases customers. Heylo Housing Registered Provider Limited is registered with the Regulator of Social Housing as a registered provider of social housing.

The business model is designed to externalise as many operational aspects as possible in order to provide a transparent means of investing in this attractive asset class. The Group Parent itself has no employees but instead procures services from ResiManagement Limited under long term management agreements for each of its group companies. ResiManagement Limited is a company duly incorporated under the Companies Act 2006 in England and Wales with registered number 08155459 and its registered office situated at 5th Floor, One New Change, London EC4M 9AF and has managed the Heylo companies since 2014, with an experienced team of 35 staff (as at 30 June 2018) drawn from finance, property sales, property management and regulatory engagement.

The Issuer does not have any direct financial support from the Group Parent or any other group company, nor does the Issuer benefit from any guarantee from any party to support any obligations in respect of the Bonds.

The Issuer, the Group Parent and the Heylo Group information (continued)

History of HH No. 1

HH No. 1 was established in September 2014 with an initial committed investment of £180 million raised through two long-dated inflation-linked bonds listed on the Irish Stock Exchange.

Initially, HH No. 1 focused on acquiring new build homes designated for shared ownership under Section 106 ("**S106**") planning obligations imposed on house builders which typically have contract values of £1.0 million to £1.5 million. With this approach, there was an inherent lag between contracting to acquire properties and the properties being completed by the house builder and HH No. 1 investing capital. The level of market coverage necessary required rapid scaling in operations and standardised end-to-end processes to secure volume of investment opportunities efficiently.

In order to diversify the portfolio away from new build homes and also to smooth the timing of investment, a do it yourself shared ownership ("**DIYSO**") product was launched in 2015 directly to customers, removing reliance on third parties to deliver new properties.

Having proven the business model and spent or committed much of the initial £180 million investment commitment, in 2016 HH No. 1's initial investors increased their commitment by a further £120 million to £300 million in total and extended the maturities of the two original bonds to 2051 and 2082.

By September 2017, HH No. 1 owned a portfolio of over 1,000 part buy – part rent properties with a valuation of £176 million and had exchanged contracts to purchase properties for a further £20 million. This portfolio was achieved through contracts with several national house builders as well as regional and smaller house builders and 180 DIYSO properties.

In November 2017, HH No. 1 was awarded Investment Partner status with Homes England (formerly the Homes and Communities Agency) so to enable it to participate in the Shared Ownership and Affordable Homes Programme 2016 - 2021.

As at 30 June 2018, HH No. 1 owned over 1,650 properties valued at over £300million spread across 182 Local Authorities, having acquired properties from 51 different developers.

As a result of the relationships built since 2014 and the track record of delivery, the Group Parent has a significant pipeline of investment opportunities with national and regional housebuilders and so is seeking to raise additional capital. While the Issuer may enter into legal agreements for the acquisition of such properties shortly after securing funding via the Bonds under this Programme, it may take 3 to 12 months for the relevant properties to be completed by the relevant housebuilders.

Until such time as the Issuer has secured funding via the Bonds under this Programme, the Issuer will not commit to enter into any legal agreement for the acquisition of such properties and as such the Issuer aims to have the proceeds of the issue of the Bonds invested in properties within six months of receipt of proceeds of the Bonds. **The Issuer will not therefore own any properties at issue of the Bonds.**

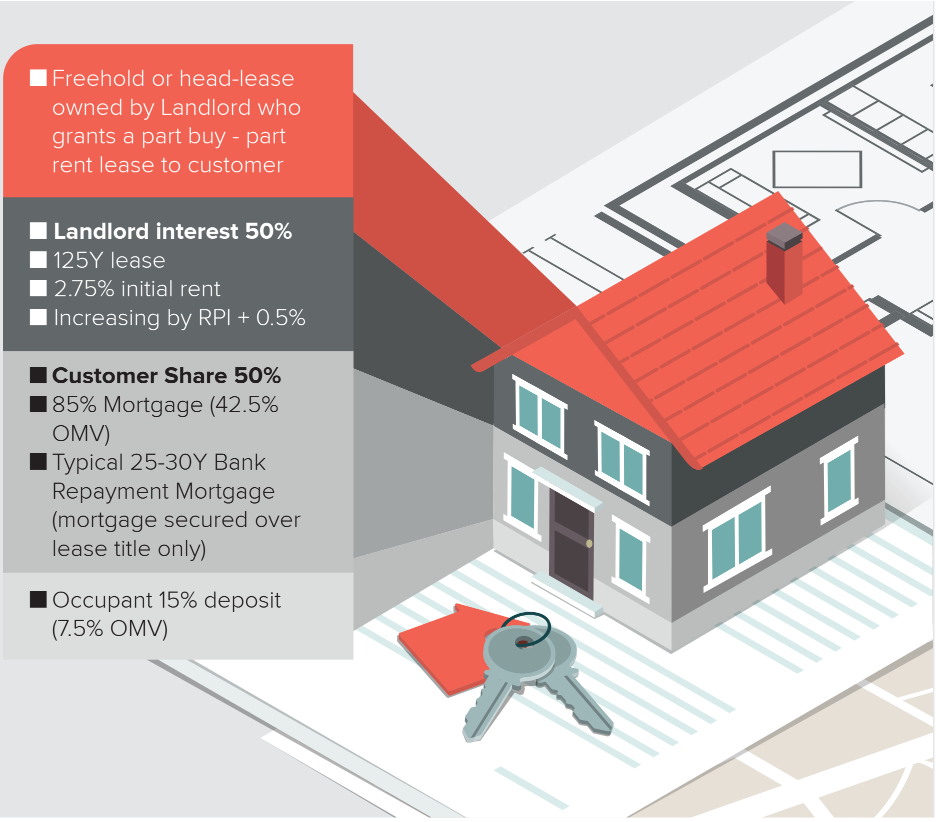
The above information on HH No. 1 and the wider Heylo Group is intended as background information only and is not indicative of the Issuer's own performance and prospects.

The Issuer, the Group Parent and the Heylo Group information (continued)

Part buy - part rent

The Heylo Group operates in a sub-set of the UK residential property market where its customers buy part of a property and pay rent on the part they do not buy (commonly known as shared ownership).

A worked example of a part buy – part rent property, based on a house with a value of £200,000:



- To buy a 50 per cent. share, the customer will pay £100,000. The customer has a deposit of £15,000 so takes out a mortgage for £85,000 which is 42.5 per cent. of the market value of the property
- The shared ownership landlord grants the occupier a 125 year lease that requires the customer to pay an initial annual rent, typically at 2.75 per cent. on the market value of the 50 per cent. share the property they did not buy
- In this example, the rent in the first year would be £200,000 x 50 per cent. x 2.75 per cent. = £2,750
- Thereafter, the rent is reviewed upward each year by inflation + 0.5 per cent., independent of any movement in the market value of the property
- The customer can increase their share (known as "**Staircasing**") in the home at any time and the rent would be adjusted down proportionately to reflect the change
- In this example, if the customer acquired a further 25 per cent. of the property, the rent they continue to pay the landlord would decrease by half (25 per cent. of the 50 per cent. they were paying rent on)

From 2011 to 2016, nearly 41,000 affordable homes were made available through shared ownership, typically as part of the planning obligations imposed on house builders, equating to c8,000 properties per year. Recognising the level of public demand, in April 2016 government announced a £4.1 billion grant funding programme, the SOAHP, to deliver a further 135,000 such homes over the following five years, a four-fold increase in annual delivery, and importantly opened up the programme beyond Registered Providers to include commercial developers and investors.

Delivery at this level would put SOAHP on a par with the UK Government's 'Help-to-Buy' programme that delivered 44,419 completions in the year to September 2017 (according to the Ministry of Housing, Communities and Local Government – Housing Statistical Release published on 11 January 2018).

Further information

Holding the Bonds

The Bonds will be held in custody for you by your Authorised Offeror, or as may be arranged by your stockbroker or financial adviser.

How to trade the Bonds

The Bonds are expected to be listed on the Official List of the UK Listing Authority and admitted to trading on the regulated market of the London Stock Exchange plc.

The Bonds are also expected to be eligible for the London Stock Exchange's electronic Order Book for Fixed Income Securities ("**OFIS**"). OFIS was launched in response to private investor demand for easier access to trading bonds with the aim of providing a transparent and efficient mechanism for retail and institutional investors to access the bond markets. The Bonds are tradable instruments and prices are expected to be quoted in the market during trading hours (8.00am to 4.30pm London time).

Whilst the Issuer will make an application for the Bonds to be admitted to the London Stock Exchange's OFIS, and one or more market makers may 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, 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 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.

Fees

The Issuer will pay certain fees and commissions in connection with the offer of the Bonds. The Lead Manager will receive a fee of 1.0% of the aggregate nominal amount of the Bonds issued and shall be deducted from the proceeds of the Offering on the closing date of the Offering. In addition, Regulated and approved distributors will be offered a distribution fee of 0.5%.

Authorised Offerors may charge expenses to you in respect of any Bonds purchased and/or held. These expenses are beyond the control of the Issuer and the Lead Manager, and neither the Issuer nor the Lead Manager is responsible for the level or payment of any of these expenses.

Taxation of the Bonds

If you make an investment in the Bonds, the tax treatment which will apply to you will depend on your individual circumstances and taxation law and practice at the relevant time (and so may be subject to change in the future including during the life of the Bond). Please also refer to the section starting on page 57 of the Base Prospectus entitled "**Taxation**" for information regarding certain aspects of United Kingdom taxation of payments of interest on the Bonds. All amounts, yields and returns described herein are shown before any tax impact. It is the responsibility of every investor to comply with the tax obligations operative in their country of residence. Prospective investors should consult their own independent professional tax advisers to obtain advice about their particular tax treatment in relation to the Bonds.

ISA and SIPP eligibility of the Bonds

At the time of issue, the Bonds can be invested in a stocks and shares ISA (an individual savings account), a Lifetime ISA or a SIPP (a self-invested personal pension). However, you should seek advice as to whether the specific terms of your arrangement permit investments of this type. The tax treatment of an investor will depend on their individual circumstances and taxation law and practice at the relevant time (and so may be subject to change in the future).

See also the "**Taxation of the Bonds**" section above.

You should refer to the sections headed "**Subscription and Sale**" on page 148 of the Base Prospectus, "**Taxation**" on page 57 of the Base Prospectus, "**Important Legal Information**" on page 154 of the Base Prospectus, and "**Additional Information**" on page 152 of the Base Prospectus.

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Disclaimer

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