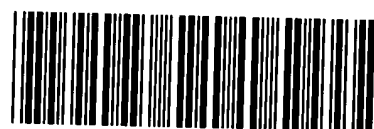


RHP FINANCE PLC

Report and Financial Statements

For the year ended 31 March 2017

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RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

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RHP Finance Plc

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Statutory Information

Company registration number 9331195

Directors

Philip Day
David Done
John Newbury
Stephen Speak

Secretary

Philip Day

Registered Office

8 Waldegrave Road,
Teddington.
London
TW11 8GT

Independent Auditor

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Bankers

Lloyds Bank Plc
City Office Po Box 72 Bailey Drive
Gillingham Business Park
Kent
ME8 0LS

Solicitors

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

RHP Finance Plc

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STRATEGIC REPORT

The directors submit their Strategic Report, Report from the directors and the audited Financial Statements for the year ended 31 March 2017.

RHP Finance plc. (the "Company") was incorporated on 27 November 2014. The company is wholly owned subsidiary of Richmond Housing Partnership Limited (RHP).

Business review and principal activity

The Company's principal activity is to provide finance for the growth and development activities of RHP and its subsidiaries.

On 5 February 2015, the Company issued a fixed rate secured bond, denominated in Sterling and maturing 5 February 2048 ("2048 Bond"), of £175m to the Debt Capital Markets paying a fixed coupon of 3.25% payable in bi-annual instalments.

Of the £175m raised, £140m was issued to external investors realising proceeds of £138.6m. The entire proceeds were then lent to RHP under a loan agreement whose terms mirror those of the bond. The remaining £35m is held by the company themselves and treated as unissued.

The Bond Loan Agreement contains a provision for the Company to recover from RHP the difference between the interest payable to 2048 Bond investors and the interest receivable from amounts on-lent to RHP under the bond loan agreement, investment income accrued from permitted investments and bank deposits.

The Company has not carried on any business or activities other than that which is incidental to the financing of RHP since incorporation.

Principal risks and uncertainties

The principal risk facing the Company is the inability to meet its obligations in respect of the 2048 Bond Trust Deed.

Various security and contractual arrangements, as described in note 11 to these financial statements, are in place to mitigate these risks.

The risks facing the RHP Group could also have a material effect on the performance of RHP Finance PLC. These include:

- the risk that the operating surplus of RHP does not perform in line with its business plan, and
- the risk that the loan covenants are breached.

Management of these risks is controlled by:

- Monitoring the operating surplus of RHP and how they have performed against the business plan.
- Regular review of factors that may impact operating surplus (es) and taking corrective action to ensure there is no impact on covenants.
- Monitoring the covenants.

Further analysis of the key strategic risks faced by RHP and associated risk mitigations are provided in the RHP Group financial statements.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Interest risk

RHP Finance plc borrows funds on a fixed rate basis from the capital markets and then on lends to RHP at the same rate. The company therefore bears no interest rate risk other than the credit risk of RHP as discussed above.

Financial risk management objectives

The directors' approach to financial risk management objectives and exposures have been set out in Note 11 of these financial statements.

The Company is primarily a conduit for accessing the Debt Capital Markets therefore the Board of directors monitor the availability of cash flows to and from RHP as the financial key performance indicators.

During the financial period all cash flow was readily available to and from RHP and therefore met this objective.

Compliance

The Board of directors ensure that the Company fulfils its obligations under the Bond Trust Deed which in turn ensures it is compliant with Listing Regulations and under the Bond Loan Agreement its commitments to Bond investors.

This report was approved by the Board on 6 July 2017 and signed on its behalf by



John Newbury
Director

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

REPORT OF THE DIRECTORS

Results and dividends

The profit for the period amounted to £nil (2016: nil).

The directors do not recommend payment of a dividend in respect of the period ending 31 March 2017 (2016: nil).

Future developments

The directors do not anticipate any change in the Company's principal activity.

Directors and their interests

The directors of the Company who held office during the period are as follows:

Philip Day
David Done
John Newbury
Stephen Speak

In accordance with the Company's Articles of Association, none of its directors are required to retire. None of the directors who held office at the beginning or end of the period had any interest in the shares of the Company.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on 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.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

The directors confirm that so far as each of the directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and;
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going Concern

The company's business activities, its principal risks and uncertainties and factors likely to affect its future position are set out within the Strategic Report. There are no material uncertainties.

Signed on behalf of the Board of directors

A handwritten signature in black ink, appearing to be 'John Newbury', written over a horizontal line.

John Newbury
Director

6 July 2017

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHP FINANCE PLC

We have audited the financial statements of RHP Finance PLC for the year ended 31 March 2017 which comprise the statement of income and retained earnings, the statement of financial position, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 directors' report for the financial year 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 the directors' report.

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

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

- 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.

BDO LLP

*Elizabeth Kulczycki (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick*

Date: 13 July 2017.

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

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

STATEMENT OF INCOME

	Notes	2017 £'000	2016 £'000
Revenue	3	4,636	4,607
Interest payable and similar charges	4	(4,636)	(4,607)
Profit on ordinary activities before taxation		-	-
Taxation	5	-	-
Profit after taxation and total comprehensive income for the year		-	-

The above relates wholly to continuing operations.

The notes on pages 11 to 18 form part of these financial statements.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

STATEMENT OF FINANCIAL POSITION

Company number: 9331195

	Notes	2017 £'000	2016 £'000
Fixed asset investment	6	137,884	137,797
Current assets			
Debtors – amount falling due within one year	7	673	673
Cash at bank and in hand		<u>13</u>	<u>13</u>
		686	686
Creditors – amounts falling due within one year	8	(673)	(673)
		<u> </u>	<u> </u>
Total assets less current liabilities		137,897	137,810
Creditors – amounts falling due after more than one year	9	137,884	137,797
		<u> </u>	<u> </u>
		<u>13</u>	<u>13</u>
Called-up share capital	12	13	13
		<u> </u>	<u> </u>
Total shareholder's funds		<u>13</u>	<u>13</u>

The notes on pages 11 to 18 form part of these financial statements.

These financial statements were approved and authorised by the directors for issue on 6 July 2017.

Signed on behalf of the Board of directors



John Newbury
Director

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements

1. Principal Accounting Policies

Basis of preparation

The financial statements are prepared on the going concern basis, under the historic cost convention and in accordance with the Companies Act 2006 and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the United Kingdom and Republic of Ireland Accounting standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are presented in Sterling rounded to the nearest thousand.

The individual accounts of RHP Finance plc have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes.

Revenue

The revenue shown in the statement of comprehensive income represents interest receivable on the loan to RHP, plus amounts invoiced to cover the administrative expenses incurred during the period. Also included is any amortisation on bond issue costs due from RHP. Interest receivable is recognised on an accruals basis. All revenue comes from group entities.

Taxation

The charge for taxation is based on the profit or loss for the financial year. The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date

Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Amounts classed by the Company as financial assets are loans and receivables and cash.

When financial assets are initially recognised, they are measured at the transaction price including transaction costs.

Subsequent measurement is measured at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

When financial liabilities are initially recognised, they are measured at the transaction price including transaction costs.

Subsequent measurement is measured at amortised cost using the effective interest method.

Effective interest rate

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

The effective interest rate is applied to the net proceeds of the bond (proceeds net of bond discount and issue costs) and the amortisation will be charged as interest to the statement of comprehensive income on an annual basis.

Loans and Other Financial Instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the gross proceeds, less the initial cost of raising the finance which is amortised over the period of the loan using the effective interest rate.

Where loans and other financial instruments are redeemed during the year, any redemption penalty is recognised in the income and expenditure account of the year in which redemption takes place.

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs.

Issue costs and discount on the issue of the bond are recognised in the profit and loss over the life of the bond using the effective interest rate method.

Intercompany debtors are classified as loan receivables. Loan receivables are measured subsequent to initial recognition at amortised cost, discounted at a rate equal to the original effective rate, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit and loss account.

Provision against intercompany debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective rate. An assessment for impairment is undertaken at least at each balance sheet date.

Significant judgements and estimates

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

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

Significant judgements and estimates (continued)

The bond and the intercompany debtor are classified as basic financial instruments as per section 11 Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the United Kingdom and Republic of Ireland Accounting standards (United Kingdom Generally Accepted Accounting Practice).

2. Administrative Expenses

None of the directors received any remuneration as directors from the Company during the period. The Company has no directly employed personnel. Remuneration paid to RHP's Executive Group officers is disclosed in the RHP Group financial statements.

Audit fees of £8k and other administrative expenses are borne by RHP, the immediate and ultimate parent undertaking.

3. Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable from RHP	<u>4,636</u>	<u>4,607</u>

4. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable on the 2048 Bond	<u>4,636</u>	<u>4,607</u>

5. Taxation

The results for the period do not give rise to a tax charge.

6. Fixed asset investment

	2017 £'000	2016 £'000
Amounts owed by RHP through intercompany account	<u>137,884</u>	<u>137,797</u>

On 5 February 2014, the Company issued a fixed rate secured bond, denominated in Sterling, maturing 5 February 2048 ("2048 Bond") of £175m to the Debt Capital Markets paying a fixed coupon bi-annually of 3.25%.

Of the £175m raised, £140m was issued to external investors. The remaining £35m is available to be issued by the company. All funds raised were on-lent to RHP under the Bond Loan Agreement. The £140m above reflects the premium on issue and the premium will be amortised over the life of the bond.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

6. Fixed asset investment (continued)

Loans to RHP are considered to be fixed asset investments as they are intended for use on a continuing basis in the Company's activities. The directors consider such loans to be held for the long term over the life of the related debt.

The amounts stated above are all due in more than one year (refer to Note 8 for amounts due within one year).

7. Debtors – amount falling due within one year

	2017 £'000	2016 £'000
Amounts owed by RHP through intercompany account	673	673
	<u>673</u>	<u>673</u>

The figure above represents 56 days of accrued interest to 31 March 2017.

8. Creditors – amount falling due within one year

	2017 £'000	2016 £'000
Amounts due to 2048 Bond investors	673	673
	<u>673</u>	<u>673</u>

The figure above represents 56 days of accrued interest to 31 March 2017.

9. Creditors – amounts falling due after more than one year

	2017 £'000	2016 £'000
Amounts due to 2048 Bond investors	138,884	137,797
	<u>138,884</u>	<u>137,797</u>

The above includes the premium on issue; the nominal value is £140m.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

9. Creditors – amounts falling due after more than one year (continued)

Under the terms of the Bond Loan Agreement RHP is committed to repay the 2048 Bond in full by maturity date in 10 bi-annual instalments starting on the 28th anniversary of the Bond to enable the Company to reimburse the bond holders.

All amounts are due for repayment in more than 5 years.

10. Financial instruments

The Company's financial instruments are summarised as follows:

	2017 £'000	2016 £'000
Financial assets:		
classed as loans and receivables (amortised cost)		
Loans to ultimate parent undertaking	137,884	137,797
Debtors	673	673
Cash and cash equivalents	13	13
	<hr/>	<hr/>
	138,570	138,483
	<hr/>	<hr/>
Financial liabilities:		
classed as basic financial liabilities (amortised cost)		
Other creditors (accrued 2048 bond coupon – see Note 6)	137,884	137,797
Other liabilities	673	673
	<hr/>	<hr/>
	138,557	138,470
	<hr/>	<hr/>

The Company's financial instruments comprise borrowings and loans receivable. The sole purpose of these financial instruments is to raise finance for the growth and development activities of RHP and its subsidiaries.

The Company does not actively engage in the trading of financial assets for speculative purposes. The Company has not entered into any derivative contracts.

The most significant financial risks to which the Company is exposed are credit risk and liquidity risk. The Board's policy for managing the risks is summarised below:

Credit risk

The Company is dependent on receipt of funds from RHP in order to meet its contractual obligations under the Bond Loan Agreement in relation to the 2048 Bond. The credit risk is that RHP, as the main counterparty, fails to reimburse the Company. The directors consider the credit risk to be very low owing to the fact that RHP is a strong business, with a strong asset base.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

The credit risk for bank deposits and money market funds is considered low, since the counterparties are reputable banks with high quality external credit ratings.

The maximum credit risk currently faced by the Company is £140m being the total amount of funds raised from external investors by the 2048 Bond issuance, and on lent to RHP.

No impairment loss has been recorded in relation to the fixed asset investment.

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the directors in assessing and managing liquidity risk. The Group has in place a number of risk mitigation activities. The risk is managed via the Bond Loan Agreement into which the Company has entered with RHP.

The capital and repayment profile of the Company's gross undiscounted liabilities is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
2017					
Amounts due to 2048 Bond investors	-	4,618	18,474	259,390	282,482
Amounts due to RHP	13	-	-	-	13
	<u>13</u>	<u>4,618</u>	<u>18,474</u>	<u>259,390</u>	<u>282,495</u>

Amounts due to 2048 Bond Investors reflects the gross payments due on the amount of 2048 Bond that was issued to external investors.

Interest rate risk

The Company has no exposure to interest rate risk as all amounts owed to external 2048 Bond investors are at a fixed rate of interest as are the interest receivable amount due from RHP on amounts lent under the Bond Loan Agreement.

There are no other interest bearing assets or liabilities.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

The interest rate profile of the Company's financial liabilities is as follows:

	2017 £'000	2016 £'000
Fixed rate borrowings	137,884	137,797
	<u>137,884</u>	<u>137,797</u>

The 2048 Bond pays a fixed coupon of 3.25%. Only £140m of the £175m 2048 Bond has been issued.

Foreign currency risk

The Company has no foreign currency transactions. All of the Company's borrowings and coupon payments are denominated in Sterling.

11. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the 2048 Bond investors and benefits for other stakeholders. The risk of interruption of cash inflows to the Company (which are required to service and repay the debt) is low owing to these ultimately being receivable from RHP which receives a significant proportion of its rents from the public sector.

In order to maintain or adjust the capital structure, the Company may issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity, fixed asset investment plus its cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting period under review is summarised as follows:

	2017 £'000	2016 £'000
Financial assets: classed as loans and receivables (amortised cost)		
Fixed asset investment	137,884	137,797
Cash and cash equivalents	13	13
Equity	13	13
	<u>137,910</u>	<u>137,823</u>
Total Capital	137,910	137,823

The Company has honoured all its covenant obligations since the 2048 Bond issuance to the Debt Capital Markets on 5 February 2015. The Company's covenants are outlined in the Bond Loan Agreement and relate to the permitted business activities of the Company and asset cover.

RHP Finance Plc

Report and financial statements for the year ended 31 March 2017

Notes to the Financial Statements (continued)

11. Capital risk management (continued)

Failure to comply with any covenant would lead to a default and security for the loan becoming immediately enforceable and the bond becoming immediately due and repayable.

The Company has complied with all externally imposed capital requirements during the year.

12. Called up share capital

	2017 £'000	2016 £'000
Authorised		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allocated, issued and paid		
50,000 ordinary shares of £1 part paid £0.25	<u>13</u>	<u>13</u>

Upon incorporation the Company issued 50,000 £1 shares to provide working capital to establish the business. All shares rank pari passu in all regards.

13. Related party transactions

The company takes advantage of FRS 102 section 33. "Related Party Disclosures" exemption permitting it not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the group and consolidated group accounts are prepared.

14. Ultimate parent undertaking

RHP Finance PLC is a wholly owned subsidiary of RHP, which is the ultimate parent and ultimate controlling entity. RHP is the largest entity in the group that produces consolidated financial statements. RHP is a registered public benefit formed under the Co-operative and Community Benefit Societies Act 2014. Consolidated financial statements of RHP can be obtained from the Company Secretary at 8 Waldegrave Road, Teddington, London, TW11 8GT.