Heylo Housing Group Limited

Report and Financial statements

Year ended

30 September 2023

Company Number 11104403

Heylo Housing Group Limited

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for the year ended 30 September 2023

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Company information
For the year ended 30 September 2023

Directors	G P C Mackay J O Short G Turner (resigned on 1 July 2023) N Jopling D F Montague F James Smith (appointed on 11 September 2023) D M Samworth (appointed on 20 October 2023) J Makinson (appointed on 1 November 2023)
Company Secretary	Squire Patton Boggs Secretarial Services Limited
Company number	11104403
Registered office	6 Wellington Place Fourth Floor Leeds LS1 4AP
Independent Auditor	KPMG LLP One Snow Hill Snow Hill Queensway Birmingham B4 6GH
Bankers	HSBC UK 69 Pall Mall London SW1Y 5EY
Solicitors	Pinsent Masons LLP 30 Crown Place London EC2A 4ES Devonshires LLP 30 Finsbury Circus London EC2M 7DT

Heylo Housing Group Limited

Chair and chief executive's report
For the year ended 30 September 2023

It has very much been a year of consolidation for Heylo Housing Group Limited (HHGL). Following the first In Depth Assessment (IDA) carried out by the Regulator of Social Housing on a for profit Registered Provider in January 2022, in July 2022 HHGL's subsidiary Heylo Housing Registered Provider (HHRP) was placed on the Gradings Under Review List. This was followed in December 2022 with a non-compliant Regulatory Judgement of G3/V3.

Throughout the year the HHGL Board has supported the HHRP Board as it continued to work closely with the Regulator of Social Housing, developing and embedding improved governance arrangements and controls, and assessing, managing and addressing risks to ensure the long term viability and protection of social housing assets. A Voluntary Undertaking and associated Action Plan was first proposed to the Regulator in February 2022, and although a significant amount of work has been carried out since to address the Regulator's concerns, this undertaking has yet to be formally accepted.

Despite the significant challenges that this has brought to the business, we have continued, albeit at a much more cautious pace, to work towards our strategic goals and our mission. Over the year to September 2023, we closed deals with more housebuilders, drew further grant from Homes England and Combined Authorities, and most importantly, we saw a further 1,030 families buy their first home using our schemes, with HHGL now having an interest in 8,500 homes across the country.

In a world where many uncertainties remain, there is one thing that we can be sure of. It is well documented that in a heated housing market, affordability is stretched even further, and more first-time buyers are priced out of the market. However, in a tighter market that we are now experiencing, we see mortgage lenders limit their deals and exposure, and with lower income multiples and higher rates, just as many if not more prospective first-time buyers find themselves unable to meet their housing aspirations. That is where Shared Ownership offers an opportunity, and we have continued to grow our business to meet that demand.

We have continued to work through turbulent economic times. Our business has operated in an environment of political turbulence, and with a continuing cost of living crisis. Both have had an impact on our business, and we have had to adapt and adjust as inflation continued to rise during the year, and interest rates followed. Most importantly, for our customers, these challenges meant increasing costs – for their energy bills, food and other costs, and for many, a risk of higher mortgage costs, with high inflation and interest rates resulting in a cost-of-living crisis for our existing Shared Owners, and for many more prospective owners paying high private rents.

Our customer satisfaction ratings have remained strong, with an average Trust Pilot rating of 4.6.

In addition to the challenges presented by the non-compliant regulatory rating for HHRP, we have been preparing for the changes to consumer regulation which will take effect from April 2024. The Board have regularly been updated on progress as we build our capabilities in this regard, and during the year (and since year end) we have been surveying our residents under the new Tenant Satisfaction Measures standard.

We remain committed to running a fully compliant business, enabling more families to find an affordable, well-built home. Building upon our vision and mission, this financial year our goals will be to continue to grow the portfolio of affordable homes, continue to improve our service to customers, continue to work with the Heylo Group to expand the institutional investors to fund affordable housing, and continue to strengthen and embed our governance.

Finally, we would like to thank our colleagues, partners, local authorities, investors, and stakeholders for their support in helping us to deliver more places to call home to aspiring homeowners.

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Jonathan Short	**Andrew Géczy**
Chairman	**Chief Executive Officer**

Date 3/25/2024

Introduction

The Directors present their strategic report of Heylo Housing Group Limited ("HHGL") for the year ended 30 September 2023. Heylo Housing Group Limited ("the Company" or "HHGL") together with its subsidiaries ("Heylo Group" or "the Group"). HHGL is the parent company of the Heylo Group.

Business review

The business of the Group commenced in 2014 with the establishment of Heylo Housing Limited. As part of its growth plans, in 2018 the business of the group, including all brands, trademarks and intellectual property as well as the ownership of Heylo Housing Registered Provider Limited ("HHRP"), were transferred to Heylo Housing Group Limited and Heylo Housing Limited was renamed HH No.1 Limited ("HH No.1") and on 14 September 2018, 99% of the share capital of HH No.1 Limited was transferred to Lancashire County Council as Administering Authority for the Lancashire County Pension Fund. On 18 May 2021, a wholly owned subsidiary of the Group, HH No. 1 New Holdings Limited ("HH1NH"), which was incorporated on 25 September 2020, acquired 100% shareholding of HH No. 1 Holdings Limited ("HH1H") from Lancashire County Council ("LCC"). Following the acquisition of HH1H, the Group owns 100% shareholdings in HH1H's subsidiary, HH No.1. HH1H, through its subsidiary HH No.1, is a property investment company that acquires residential properties that it leases on a part buy – part rent basis to customers. The acquisition continues the Board's desire to strengthen its market share in the UK shared ownership market and increase the quality of its investment property portfolio.

The other subsidiaries of the Group; HH No. 2 Limited ("HH No.2"), HH No. 3 Limited ("HH No.3") and Heylo Housing Secured Bond Plc ("HHSB") were all established during 2018. HH No. 5 Limited ("HH No.5") and HH No. 6 Limited ("HH No.6") were established during 2019. HHSB and HH No.3 started trading respectively in November and December 2018. HH No.2 and HH No.5 commenced trading in March and August 2020 respectively. HH No.6 commenced trading in January 2021. Since 11 August 2022, the full principal and interest related to an external loan per the Facility Agreement was repaid by HH No. 6's immediate parent Company HH No. 6 Holdco Limited, and at this point all the investment properties were transferred to other group companies. Since this date, HH No. 6 remains non-trading.

The Company acts as a holding company which oversees the activities of each subsidiary. HH No,1, HH No.2, HH No.3, HHSB, HH No. 5 and HH No.6 are all property investment companies that acquire residential properties that they lease to HHRP which in turn on leases those properties on a shared ownership basis to the Group's customers.

HHRP, is a registered provider of social housing with the Regulator of Social Housing (RoSH) (registration number 4668). Within the Heylo Group, a number of property investment companies ("Pods") own the freehold or long leasehold to homes and are Homes England Investment Partners. These Pods grant a long lease to HHRP for a high proportion of the freehold or long leasehold homes and in turn, HHRP grants Shared Ownership leases to customers. Simply put, HHRP leases properties from property investment companies within the Heylo Group and onward leases them to customers on a shared ownership basis.

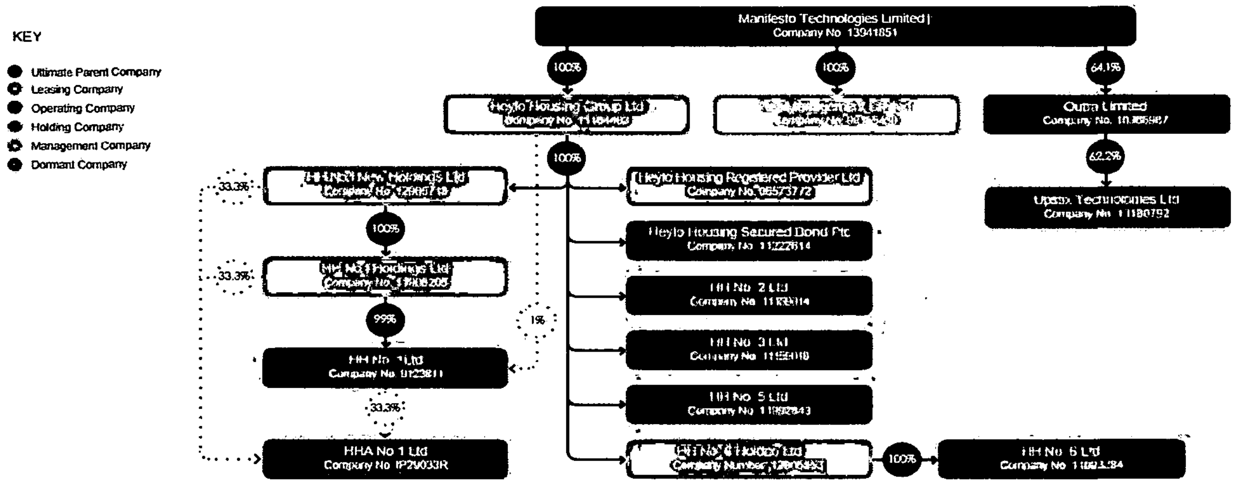
Financial and Operational Highlights

Working with Homes England, housebuilders, local authorities and others, HHGL delivered 1,030 places to call home across England which represented more than a 13% increase in the number of homes in its portfolio. At the fiscal year end HHGL had a leasehold interest in 8,500 homes. As a result of this significant increase in HHGL's portfolio, revenue increased more than 6% to £47.7 million (2023) from £44.9 million (2022).

Our group structure

Organisational structure

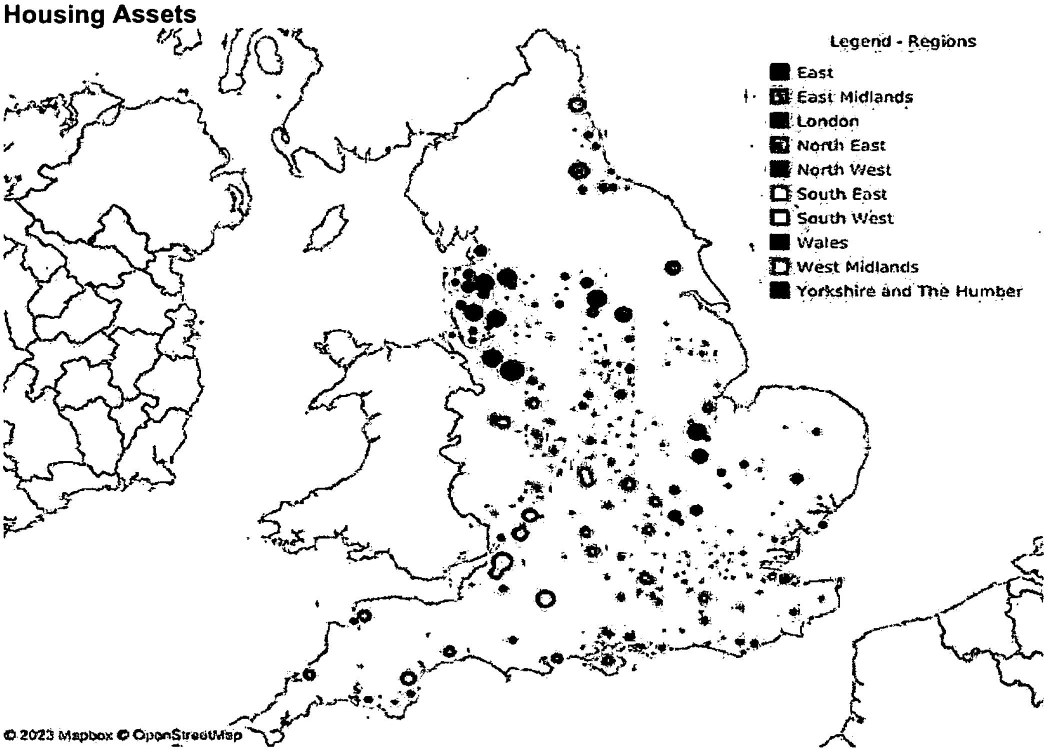
As of 30th September 2023



Our properties and where we operate

HHGL operates across England, and principally outside of London. As at 30 September 2023 HHGL has an interest in 8,500 properties. The map below illustrates the spread of properties across the country.

Housing Assets



	2023	2022	2021
Total number of Shared Ownership homes leased from Group Investment Companies (Pods) and onward leased to customers (at year end)	8,500	7,470	6,020

A Social Business

The Heylo Group, including HHRP and the asset owning Pods, does not distribute its profits to shareholders. All surpluses generated from Shared Ownership activities (staircasing and sale) are re-invested to subsidise the delivery of new affordable homes for Shared Ownership.

What we do

Established in 2014, growing to become one of the UK's leading Shared Ownership providers, the Heylo Group works in partnership with national, regional and local housebuilders, as well as local authorities, estate agents and wider stake holders to deliver affordable homes.

Heylo's shared ownership solutions bring owning a home within reach for millions of previously excluded potential buyers.

Our Purpose, Mission, Vision, and Values

Across the Heylo Group, there is a common Purpose, Mission, and Vision supported by shared culture with clearly defined values and behaviours to deliver the aspirations of HHGL and the Heylo Group in the right way.

Our Purpose
Heylo makes home ownership accessible for aspiring homeowners and renters to find a place to call home

Our Mission

Passion for the highest quality service to more and more customers, dedication to working in partnership with housing suppliers successfully and commitment to acting with integrity

Our Vision

To be a leading privately owned residential provider in the UK with a reputation as the most respected and customer-centric
At HHGL and the wider Heylo Group, we believe that we need to focus on not just "what we do" but "how we do it". Our clear set of Values and Behaviours have been embedded into how we operate day to day including how we work with our stakeholders, how we serve our tenants, how we hire and reward colleagues, and how we work with our partners. The HHGL and HHRP Boards receive regular updates on people and culture through Board reporting.

Our Values and Behaviours
Results Focused: *We enjoy making housing affordable for highly satisfied customers leading to dynamic growth and sustainable profitability for our business.*

- Demonstrates determination and perseverance to get results in the right way
- Treats customer satisfaction as a top priority using customer and stakeholder feedback to improve our offering
- Readily tackles demanding tasks or takes on new ones
- Takes personal accountability to grow and develop ourselves, others and our business
- Shows tenacity and creativity in solving problems and delivering solutions

Collaboration: *We work together as a team and communicate effectively with our partners, customers, and stakeholders.*

- Regularly shares knowledge with others.
- Provides opportunities for our people to learn, grow, and develop as people and as professionals
- Is responsive and reliable through active listening
- Willingly volunteers own opinion regardless of hierarchy; yet actively supports team decisions
- Has a sense of urgency and fun while getting things done; takes a positive "can-do" approach

Integrity: *We will act with honesty and aim to meet the highest ethical standards in our dealings with our colleagues, customers and stakeholders and in full compliance with our regulatory obligation*

- Is transparent in admitting mistakes in order to address them in a timely and open manner
- Is honest and keeps promises and commitments
- Believes in doing the right thing with colleagues, customers and stakeholders
- Consistently treats customers fairly
- Gives credit to others for success and assuming personal accountability for failure

Respect: *We support each other and value the contributions and ideas of others.*

- Is inclusive and embraces all forms of diversity.
- Listens to and learns from others.
- Values and expresses appreciation for the contribution of all team members
- Respects the points of view of others without regard for status and seniority
- Empathizes and understands the needs and ambitions of customers, colleagues and stakeholders

Innovation: *We will always be striving to improve the quality of our execution to improve our service to our customers and the returns for our business*

- Makes developing more efficient and effective ways of working a top priority by listening to customers, colleagues and stakeholders
- Asks for the input of customers and incorporates customer feedback into service improvements
- Builds solutions that use existing resources in unique ways or that result in new approaches to improve our customer service and/or our profitability
- Openly asks for ideas and suggestion on how to do things simpler and better
- Takes considered risks to move the business towards its goals

Our Business Model

As at the year end, HHGL had a leasehold interest in 8,500 (2022: 7,470) homes. For context, given the evolution of the Heylo Group business plans, Heylo Group's business plan is to focus on the acquisition of properties which generate low volatility, long term, inflation linked cash flows, and to also support HHGL activities, including all operational costs, in furtherance of affordable housing delivery aspirations.

HHGL's business plan is to work with Heylo Group companies to provide high quality affordable homes through a Shared Ownership tenure and by ensuring HHRP's compliance with the social housing regulatory standards, and effectively working with tenants and stakeholders to ensure the protection of social housing assets and compliance with those regulatory standards.

Within the Heylo Group, a number of operating investment companies ("Pods") own the freehold or long leasehold to homes and are Homes England Investment Partners. These Pods grant a long lease to HHRP who then grant Shared Ownership leases to customers. As at the reporting date, ResiManagement, (commonly controlled by the ultimate parent, Manifesto Technologies Ltd) currently provides management services (tenancy, landlord and property services) to the Pods, to HHGL and to HHRP. The management services agreement can be terminated by either HHRP or HHGL if either party is not content that the services do not provide sufficient Value for Money or they are not content with the quality of the service provided ResiManagement.

The Heylo Group's business model, business plan and focus on Shared Ownership residential property has been devised with the aim of delivering affordable housing for stakeholders and customers using institutional investment in a low risk and efficient format. The model:

- Involves minimal financial risk for HHGL via the long lease and shared ownership lease structure.
- Provides for the Heylo Group to support all HHGL's new homes origination activity, as well as ongoing operational and management costs.
- Ensures that HHGL does not take sales nor development risk.
- Does not rely on cross subsidy from pro-cyclical private sector tenures.
  Offers customers Shared Ownership leases based on the Homes England standard form or Local Authority approved s106 formats, which post completion are largely quarantined from political/policy volatility.
- Focuses on the delivery of the well-established Shared Ownership tenure, which by virtue of its leasehold status, offers customers strong protections through Landlord and Leasehold legislation, while carrying less management and maintenance risk.
- Offers customers rents, management services and service charges common to the traditional affordable home ownership sector and industry good practice.

The Directors have assessed the ongoing viability of the Company.

Each year the Directors produce an annual Corporate Plan for the business. This is informed by the rolling five year Corporate Strategy, the current iteration of which was created in 2022.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they are also aware of the strategic part that HHGL plays within the wider Group structure. The Directors have assurance over the strategy and have stress tested the Group financial forecasts in the context of solvency or liquidity by considering a range of single and multi variate scenarios which could affect the plan's assumptions.

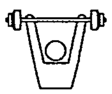
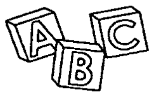
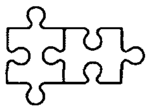
Following their assessment of the above, and discussions with the shareholder who have confirmed their intentions to continue to utilise the Company in line with the current business plan and remains committed to its activities. The Directors have a reasonable expectation that the Company has access to adequate liquidity to continue in operational existence for the foreseeable future.

Our strategy and performance
5 year Strategic Business Plan

The HHGL and HHRP Boards undertook a review of their strategic aspirations for the next five years in 2022.

Balanced Business Scorecard metrics are agreed ahead of each new year, and performance against these metrics reported quarterly to the Board using a RAG status (Green – Met, Amber – in progress but not fully met and Red = Not met). The HHGL Board and the HHRP Board consider and assesses performance against the agreed position every quarter through a review of the approved key performance indicators and set thresholds for review and escalation alongside these indicators. Further, should performance fall below the accepted thresholds, out of meeting cycle escalation reporting is applied notifying the HHGL Board and the HHRP Board of the position and action being taken to improve performance. This was not required during the financial year.

Our performance for 2022/23 against key deliverables

	***Strengthen** our balance sheet, our reputation with stakeholders, and our governance and assurance capabilities to allow us to grow safely*	
	***Simplify** to improve our service*	
	***Connect** customers with capital to deliver sustainable homes benefitting our customers, our communities and the environment for the long term.*	
	***Invest** in our core capabilities to grow our business*	

The Group Strategy going into 2023/24 (FY24) and 2024/2025 to 2027/28 (FY28) has four key pillars as follows, with the HHRP being a key part of the delivery of this Group strategy:

Strengthen our balance sheet, our reputation with stakeholders, and our governance and assurance capabilities to allow us to grow safely

- Have a stable Funding Base to match our investment and liquidity requirements.
- Recognised for delivering on our promises and commitments to our investors, Homes England, RoSH, Local Authorities, Employees and housebuilders
- Recognised for an effective and efficient risk culture by embedding compliance and assurance at the heart of our business

Simplify to improve our service
- Develop a scalable and efficient operating platform
- Deliver excellent service to our customers and core stakeholders
- Provide tailored support and service to those customers who are the most in need

Connect customers with capital to deliver sustainable homes benefitting our customers, our communities and the environment for the long term
- Getting more customers into a place they call "home" using both our existing products and in emerging/developing product lines
- Provide insights through data to connect customers with housebuilders, estate agents, Independent Financial Advisor (IFAs) and to inform governments
- Connect our customers to services which enhance their lives, our communities and the environment

Invest in our core capabilities to grow our business
- Expand our product offering
- Provide a clear career path for our people through embracing diversity and a high-performance culture
- Upgrade key systems to deliver great service
- Grow our fee income, Assets Under Management (AUM) and EBITDA

The strategy also seeks to address key parts of the current Government's housing policy and the requirements of other public sector bodies, including:
- Home ownership delivery in areas of high priority and affordability stress.
- The strategic priorities described in the most recently launched Homes England Affordable Housing Programme (AHP 2021-2026).
- The Social Housing White Paper (The Charter for Social Housing Residents), Planning for the Future White Paper, draft Building Safety Bill and Leasehold Reform.
- Revised Consumer Standards published by the Regulator of Social Housing

The specific performance metrics agreed by the Board heading into the new year are set out in the balanced business scorecard as follows:

Financials
Deliver strong financials (meeting or exceeding budget) Maintain a strong capital and funding position to deliver financial resilience Increase AUM Provide excellent returns for our investors

Customer and Core Stakeholder Service
Expand product offering in the UK Recognised as a thought leader on shared ownership with our proprietary data and our data analytics as our key differentiators Identified as an important partner for public stakeholders and housing suppliers to deliver sustainable homes which benefit our customers, our communities and the environment

Operations
Have a reputation for world class execution of new business Recognized as the leading provider of shared-ownership property management Deliver excellent service to customers, core stakeholders, and stakeholders through data and automation Enhance data quality and management

Risk, Governance and Assurance
Continue to develop a strong risk culture to mitigate Regulatory, Reputational, Financial and Credit Risk and Health & Safety Ensure compliance with all audit/regulatory requirements Strengthen the Operational Assurance function through delivery of a continuous Quality Control process and KPI metric dashboard, an integrated Incident and Customer complaints framework, mature Issue/Gap identification and resolution process and an effective Control and Testing environment to monitor process uplift

People
Work with ResiManagement to ensure that its staff are driven by the values and behaviours of HHGL through a consistent culture pursuant to the Management Agreement Develop the team in line with strategic business requirements Increasing focus on people development and engagement

Key Performance indicators

	2023	**2022**
Collection rate (%)	**99**	**99**

Since September 2022, collection rates continue to be at 99%, although the number of people moving into and out of arrears or onto an off-repayment plan has increased along with the intensity of arrears management work. Based on its traditional, tried and tested approach to arrears collection, and given Government imposed limitations on legal action through possession and eviction, throughout 2020, 2021, 2022, 2023 and into 2024, the Company has continued to mitigate the financial impacts of Covid upon some households through generous repayment plans and proactive dialogue with tenants who are in, or likely to face, distress; a form of forbearance that has so far delivered good performance outcomes for the business too.

Environmental, Social and Governance
During the 2022/23 Financial Year, we have worked to develop our Group ESG Strategy, our first step on the path to reaching net zero by 2050. At Heylo, we are committed to driving the delivery of affordable and sustainable homes and have developed our ESG Strategy to put us on track to achieving our ESG goals.

In our ESG Strategy 2022-24, we have set ourselves the following key objectives:

Homes	People
• Improve the energy efficiency and reduce the operational emissions of our homes • Undertake a transitional and physical climate change risk resilience and adaptation assessment for all homes • Improve our data on and investigate ways of enhancing the biodiversity and waste management on the estates that we own • Drive the delivery of sustainable homes that are energy efficient and resilient to future climate risk • Work with our housebuilder partners to drive sustainability in the construction of our homes by reducing emissions, waste and resource intensity on our sites	• Support staff wellbeing through our Employee Assistance Programme (EAP), amongst other benefits • Raise awareness and promote mental wellbeing by launching our Wellbeing Forum and giving staff the chance to become Mental Health First Aiders • Explore ways that we can embed equality, diversity and inclusion (EDI) across the organisation, from our recruitment through to our board representation, and develop an organisation-wide Diversity and Inclusion Policy • Improve staff awareness and knowledge of sustainability issues and give them the skills they need to participate in our sustainability journey

Heylo Housing Group Limited

Residents	Operations
• Make homeownership more affordable and accessible to families and households across the country • Empower our customers to voice their views on our business and our approach to sustainability and ESG • Encourage and promote sustainable living to our customers through our blog, new tenant app and website • Guarantee the safety of our residents in their homes by monitoring managing agent performance in relation to fire and health and safety risk • Explore ways of supporting our customers that are struggling, particularly in the context of the cost of living crisis	• Develop and publish our decarbonisation roadmap in the near future to reach net-zero emissions in our business operations by 2050 • Continue to strengthen our governance structure, taking into account the feedback from the independent governance review that we are undertaking in 2022 and 2023 • Develop our ESG reporting framework in line with suitable frameworks such as the Sustainability Reporting Standard for Social Housing (SRS) and the UN Sustainable Development Goals (SDGs) • Assess new and existing suppliers in terms of their environmental and social impact

Our ESG accomplishments in 2022/23:
- Delivered 849 new homes for shared ownership
- Approved, established and started implementing our ESG Strategy
- Established our ESG Working Group with responsibility for oversight of the implementation of our ESG Strategy and related activities
- Launched our Wellbeing Forum and trained 8 staff as Mental Health First Aiders
- Developed our first ESG Report covering the period 1 October 2022 to 30 September 2023, with publication set for 2024
- Started monitoring the diversity of the Heylo Housing Group and Heylo Housing Registered Provider Boards and ResiManagement Executive Committee and staff and worked on developing our Diversity and Inclusion Policy
- Assessed the sustainability and ESG performance of the housebuilders that we work with
- Changed our voids management process to switch our void units to renewable energy
- Launched our sustainability blog series to engage customers on sustainable living and used our annual customer survey to get our customers views on energy efficiency

Our ESG targets for 2023/24:
- Continue our work to embed sustainability and ESG in our appraisal of new schemes
- Launch our staff Sustainability Champions group to empower our staff to get involved and shape our approach to driving sustainability in our business
- Work with the managing agents that manage our blocks and estates to drive sustainability
- Establish our Customer Committee to give our residents an additional platform to make their voices heard within the organisation and use the established committee to get our customers views on our ESG and sustainability activities
- Support our shared ownership customers to improve the energy efficiency of their homes
- Establish our Diversity and Inclusion Policy alongside our existing Equality Policy
- Carry out a review of our suppliers to better understand the impact of our supply chain
- Provide sustainability training to our staff on climate change, carbon emissions and our approach to sustainability under our ESG Strategy
- Expand our customer engagement on sustainability to include content in our newsletter, welcome pack, website and tenant portal

Stakeholders

The Directors' overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company, as set out in section 172(1) of the Companies Act 2006 (the "Act"). Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make, as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

To ensure that the Directors are aware of, and understand their duties, they are provided with sufficient information and access to training when first appointed, as well as receiving ongoing updates on relevant matters. They also have continued access to the resources, advice and services of the HHGL, formalised via appropriate binding legal agreements which provide support. HHGL has no employees.

All operational services for the Heylo Group are provided by a managing agent, ResiManagement Limited (ResiManagement), which sits outside of the Heylo Group structure, but which is also a subsidiary of Manifesto Technologies Limited. ResiManagement is a commonly controlled company, and its board of directors are also directors of HHGL. There are Management Agreements in place with ResiManagement which set out the arrangements under which ResiManagement delivers all operational services. ResiManagement has adopted the Heylo Group mission, vision and values and hold its staff to account accordingly.

All delegations to ResiManagement, underpinned by the Management Agreements in place, are detailed in legally binding agreements and in appropriate policies

In relation to suppliers, HHGL receives professional services and support from ResiManagement Limited. The HHGL Board is responsible for ensuring all homes and leaseholders and the products and services delivered to them, meet the expectations and standards of the Regulator of Social Housing (RoSH) and where applicable, any conditions of public or private subsidy delivered by government agencies or Local Authorities.
The HHGL Board is mindful of its duties to maintain and contribute to the high reputation of the regulated affordable housing sector in which it operates. Its key stakeholders are described below.

The HHGL Board monitors and considers the views and interests of its stakeholders in a variety of ways. As below, the HHGL Board will engage directly with its key stakeholders through key activities or surveys. The risk that HHGLs business model fails to deliver the Board's strategic intentions is a key strategic risk on the HHGL risk map, which has been and continues to be mitigated through the appointment of an Executive Officer who is responsible for Public Sector Engagement, and whose role is to keep this risk under review and take action to ensure key stakeholders views are obtained, engaged and taken into account. Relations with key stakeholders is the subject of ongoing discussions by the Audit and Risk Committee and HHGL Boards when considering the risk map. If and when the risk is considered to be increasing, additional investment and engagement is undertaken and mapped on the ResiManagement stakeholder engagement plan.

The status of relations with our housebuilders forms the basis of a recurring regular meeting called the 'placemat review' through which ResiManagement assesses the status and needs of those stakeholders. This informs the engagement approach taken and considers a number of key criteria. Should the status of a stakeholder fall below the established criteria, this will inform the level of due diligence required to protect the HHGLs and other dependent stakeholder interests. The findings of this placemat review is considered in the HHGL risk map and discussions such that HHGL are informed of the position and given the opportunity to challenge the position taken, or request further information or review.

HHRP's customers are HHGL's most critical stakeholder. During the year, the views of the customer have been considered on various occasions. The HHGL Board listened to the views of its customers taken from its annual survey, but also the arrears position as it was being reported, to recognise the implications of a rent increase.

HHGL's subsidiary HHRP has complied with the new RoSH Tenant Satisfaction Measure (TSM) Standard effective as of 1 April 2023, and surveyed its customers to seek their views on our services and wider satisfaction. All customers were surveyed in February 2023 as part of a wider STAR survey, and for the first time this survey included the explicit questions and responses as set out in the TSM Standard. At this point, overall satisfaction with the service provided was 57.5%. The TSM returns will be submitted to the Regulator as and when required in the Spring of 2024, and results will also be published to our customers, alongside benchmark results from our peers.

HHGL Board had directed the ongoing and regular review of our tenants satisfaction so that we can continue to obtain and listen to their views. In recognition of the incoming new Consumer Standards, the HHGL Board directed the establishment of a formal Customer Committee, sat as a committee of the HHRP Board, within its governance arrangements. Although the formation and appointment of Customers to this Committee happened outside of the 2022-2023 financial year, this Committee is now fully formed and inputting into the strategic decision making of the HHGL Board.

In view of the regulatory position of HHRP, during the year, HHRP has also met with and provided additional reporting information to RoSH and Homes England, sharing all of its Board papers with RoSH and meeting on regular occasions. The HHGL Board welcomes the support of RoSH in improving its governance arrangements and continues to engage in this process with positive effect.

The HHGL and HHRP Boards are mindful of their duties to maintain and contribute to the high reputation of the regulated affordable housing sector in which they operate. The key stakeholders are described below:

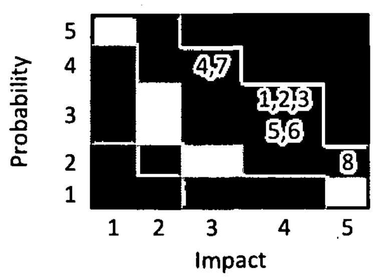
Our Stakeholders	Key Areas of Interest	How we engage
Customers (Tenants)	• Safe and affordable housing • Excellent customer service • Welfare as a homeowner • Maintenance of buildings and reasonable fees	• Customer welfare and the provision of safe and affordable housing is of the utmost importance to HHGL and the Board. The delivery of day to day operational services is carried out by Resi Management under a Management Agreement. • Cost of living crisis – the Group continues to offer support and signposting to customers facing financial hardship through high inflation and increasing energy, food and other bills, as well as potentially pending increases in mortgage and rent costs. Heylo has established a dedicated cost of living helpline.
		• Fire Safety - Following the tragic Grenfell tower fire in 2017, there has been a widespread replacement of external cladding to structures in the UK. Fire safety is of extreme import to the Board, and customers have been kept informed of cladding replacement timetables, cost relief and mitigation measures on buildings affected, with Group representatives attending support estate based resident groups. • Monthly customer newsletter and at least annual tenant satisfaction questionnaire.
Regulator of Social Housing	• Regulatory Economic and Consumer Standards • Safety, service and care of customers and homes • Protection of social housing assets • Protection of organisational and regulated housing sector's reputation	• HHRP provide routine mandatory returns via the regulator's NROSH system • Occasional direct contact and progress updates with our lead regulatory contact • In Depth Assessment (IDA) for HHRP
Homes England	• Delivery of more housing to address the UK housing crisis • Provides grant funding to group investment companies (who are Homes England Investment Partners)	• Regular formal and informal meetings with growth, contracting and delivery teams

Our Stakeholders	Key Areas of Interest	How we engage
Local authorities and Combined Authorities	• Delivery of more housing to address the UK housing crisis, including grant funded and through local s106 obligations • Ensuring deliverability and affordability of new affordable homes for local people	• Regular formal and informal meetings with Officers and Councillors
Housebuilders	• Partnering to deliver affordable housing including grant funded and through local s106 obligations	• As a Group, we work closely with over 100 local, regional and national housebuilders, partnering to bring forward additional affordable housing
ResiManagement Ltd	• The Manager's performance is critical for HHGL and HHRP to successfully deliver their investment strategy and provide safe, secure and well managed homes. • Operational delivery of all services for HHGL	• ResiManagement reports regularly to HHRP and HHGL on certain KPIs to deliver on HHGL and HHRP's tenant and regulatory obligations

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.



1	Cyber
2	Reputation with housebuilders
3	Liquidity
4	Funding
5	Asset values not sustained
6	Covenant breach
7	Grant risk
8	Health & safety of tenants

Key Risks to HHGL	Key Mitigants working with HHRP and ResiManagement
Cyber security	• All companies face the threat of cybercrime, and HHGL takes the security of customer data seriously. • IT services are provided by ResiManagement, who have Cyber Essentials accreditation and have renewed ISO27001.
Failure to take adequate action to safeguard the health and safety of our shared owners	• During the year, detailed reporting of property compliance was provided to Audit and Risk Committee and the Board, including specifically fire risks. Properties are owned by the investment companies under Heylo Housing Group Limited, mostly under leasehold tenure. • One freehold property had been assessed as requiring cladding works which have now been completed and an EWS1 form issued during the year.

Key Risks to HHGL	Key Mitigants working with HHRP and ResiManagement
	• The majority of the portfolio is single family houses which have a lower risk profile, but detailed reporting is regularly produced for fire safety, legionella, electricity, gas, gates, lifts and asbestos-related risks. A risk matrix has been developed to identify the highest risk buildings together with key risk indicators. • The team at ResiManagement continues to undertake relevant training in order to maintain and develop their skillset.
Failure to meet compliance with Regulator of Social Housing Standards	• HHRP was assessed as G3/V3 (meaning non-compliant for both governance and financial viability) by the Regulator of Social Housing in December 2022 following its first In-Depth Assessment. An extensive work programme was developed and has been followed to address identified gaps. • The Board of HHRP has continued to engage in detailed discussions with the Regulator in order to address areas identified and is fully-focused on achieving compliance at the earliest available opportunity.
Failure to anticipate and adapt to changes in the political, legislative, and regulatory landscape which negatively impacts our ability to grow.	• We have a transparent and regular dialogue with the key stakeholders including – Regulator of Social Housing, Homes England, and Department of Levelling Up, Housing & Communities – to monitor potential changes in policies and approach. • We participate in industry associations, attend Government briefings, and work closely with lobbying groups. • We have considered the impact in our financial plan of potential legislative changes.
Rising living costs negatively impact shared owners	• The Audit and Risk Committee has continued to monitor rental performance providing assurance to the HHGL Board, with rents performing in line with budget over the year • Overall collection rates have fallen slightly through the year to 98% from 99% in the prior year, and the number of customers in arrears or on repayment plans has been gradually increasing. • A specific arrears management team is in place to maintain customer contact journeys and instigate proactive dialogue with customers in arrears, but legal proceedings have been commenced for a small number of arrears cases.
External economic factors negatively impact the financial position of HHGL, limiting its ability to raise further funds to support growth; and housebuilding partners impacting their ability to deliver homes.	• The investment pods only commit to purchases when confident that funding is in place. • Development and sales risk is mostly borne by housebuilders. • Changes to income from rents and interest payable are both related to RPI movements • During the year, pod covenant compliance was reported to HHGL Board members. • Comprehensive stress testing has been carried out throughout the year and again after year end with assurance obtained from external independent advisors.

Key Risks to HHGL	Key Mitigants working with HHRP and ResiManagement
Failure of the service provider, ResiManagement, to embed a robust operating environment in a growing business resulting in poor customer service; in failures to satisfy regulatory and statutory reporting obligations; financial loss and/or reputational damage.	• HHRP Board reviews ResiManagement performance against required service levels each quarter. • ResiManagement has developed a technology roadmap to support growth, provided for within the financial plan, as well as growth in the assurance and risk management functions to oversee the development of the business. • ResiManagement has a strong culture of developing staff and training them on our regulatory and statutory obligations. • Greater focus is being placed on third parties providing services to customers to enhance performance.

Risk management and assurance

The HHGL Board meets regularly and has a risk management plan and schedule to help it review and respond to risks, including any current or emerging social housing sector risks identified by the RoSH. As part of its routine risk assessment the board also ensures the Heylo Group maintain a regularly updated "Living Will", to scenario plan the impact of a failure of all or any the Heylo Group constituent entity or key partner and the responses or actions required of the Company.

The Executive regularly review corporate risks, reporting the same to the Audit and Risk Committee and HHGL Board on a quarterly basis. Regular review of the risk map, which contains strategic level risks, is produced by the Executive and informs standing discussion at the HHGL Board.

Within the reporting period, the HHGL Board carried out a robust assessment of the company's emerging and principal risks including the Company's risk management and internal control systems assuring itself of the controls in place to manage and mitigate the same.

The Board will routinely re-assess its skills, experience, competencies and behaviours as the business continues to grow. Given the recent changes to the Board, an additional review of the Board skills was completed in May 2022 to identify any gaps. This informed the most recent recruitment and further succession planning. An independent Board Effectiveness Review will be carried out by an external consultant as part of their broader governance review during 2023.

S172 statement: Directors' duty to promote the success of the Group

Engagement with key stakeholders Suppliers

The Group depends on the capability and performance of their suppliers, contractors, and other partners such as small businesses to help deliver the services needed to facilitate daily operations and to provide a professional service to our customers. The Group is focused on working with reputable suppliers that adopt the highest governances and employment practices in their organisations. The Group recognises the importance of complying with contractual terms and conditions in relation to payment terms and paying suppliers on time.
In terms of key stakeholders, the HHGL Board receive regular updates as part of quarterly Board papers on relationships with housebuilders, Homes England, the Regulator, external managing agents and local authorities, along with the broader performance update from ResiManagement.

Customers Communications
The Group communicates with customers in the following ways:

- Direct staff contact via email, direct dial and a customer call centre to manage routine enquiries ranging from sales through to post sale lease and property enquiries.
- Welcome and induction materials for new customers.

- Website FAQs and info email addresses to route more complex enquiries to relevantly skilled team members.
- Customer feedback and satisfaction via annual surveys of all residents, Trust Pilot and a complaints and compensation policy overseen by the Regulator of Social Housing Ombudsman Service.
- Attendance at and support of estate based resident groups.
- Interventions to help customers manage or improve services from third party suppliers such as house builders and estate managing agents.

The Group's customer communication strategy from the above reflects its relationship with customers who in the main:

- Are working households (and less likely to be benefit dependent or vulnerable) who are seeking a performance, Value for Money and hence transactional rather than protective relationship with their landlord.
- Have been able to exercise a reasonable level of choice in the housing tenure and property offered to them.
- Have been able to exercise a reasonable level of choice in which housing provider has offered them shared ownership accommodation.
- Exercise a reasonable level of choice over who they buy key services from, given the HHRP and Heylo Housing Group model does not and does not seek to impose a direct estate and service charge management service, as is the case with traditional housing association providers. Where possible, HHRP and Heylo Housing Group Limited (Heylo) will support customers to exercise the Right to Manage or Right to Appoint a Manager, as permitted under Landlord and Tenant legislation and especially where shared owners are receiving poor service by agents and/or Freeholders which cannot or is unlikely to be rectified via First Tier Tribunal or complaints management.

The Group aims to offer a fair, accountable and standardised form of service to all customers contracts via its written and published policies and procedures and through the use of a standard form lease which has been drafted to comply with regulatory and statutory requirements including the Landlord and Tenant Act 1985 and where applicable, the Homes England (HE)'s Capital Funding Guide. The sales process, leases and welcome letters provided by the Group ensure customers are made aware at the outset of their relationship with the business of their rights and responsibilities and of the services and charges they can expect to pay. If and where any services are directly delivered by HHRP, shared owners will be provided with details on how to make contact to request those services. The Group continues to be vigilant regarding the performance of third party managers in the delivery of health and safety and fire risks and has intervened to mitigate or remove the impact of recent cladding and other fire risk remediation works.

The Environment
The Group invests predominantly in new build properties, which have a higher energy efficiency than the general stock of housing in the UK. The Group continues to focus on the sustainability of its portfolio.

Shareholders
The Group has one shareholder, Manifesto Technologies Ltd.

Employees
The Group entities have no employees. The Group has no employees and staff referenced above are employed by ResiManagement Limited, a separate but commonly controlled company. ResiManagement employees report to the Heylo Group and to the Company under its Management Agreement.

This strategic report was approved by the board on 3/25/2024 and signed on its behalf

DocuSigned by:
34744F5A77BA4FF...
J Short
Chairman

Heylo Housing Group Limited

Board report
for the year ended 30 September 2023

Board members - Non-Executive Directors

For the twelve months ending 30 September 2023, the Board comprised the following Directors as well as Grenville Turner, who resigned from the HHGL Board on 1st July 2023.

Giles Mackay

Giles is Heylo's main founder. He established the business in 2014 and now sits on the board of HHGL.

Giles started his career in the structured finance sector, before moving onto a series of entrepreneurial endeavours in the property and housing sectors; he has established 13 businesses since his career began.

In 1999, Giles founded market intelligence and valuations provider Hometrack, one of the first Proptech businesses and a revolutionary in the UK property valuation industry. Hometrack was sold to Zoopla in 2017. Other ventures include AI firm Outra, established in 2017, which identifies consumer patterns to connect brands with digital marketplaces. In 2022, Giles launched a new mortgage business specifically for affordable homes, a single-family home PRS business and iBuying business Upstix.

Jos Short (Chair)

Jos is chair of the HHGL Board. Jos appointment to the board follows a long career in investment banking, across a number of British investment banks and as Chief Executive of Pan European Opportunistic Real Estate Investment with US Prudential. In 2008, Jos set up Internos Global Investors which was sold in 2018 to Principal Global Investors.

Jos has been a non-executive director of Heylo since 2014. He is deputy chairman of Annington Homes and has previously served on the boards of Big Yellow Self Storage plc (2000 – 2012) and Great Portland Estates plc (2007 – 2018).

Nick Jopling

Nick is the principal of Square House Consultancy LLP, a specialist advisory company focused on the housing sector across a range of countries. Nick has sat on the board for FTSE 250-listed property company Grainger PLC and he headed CBRE's UK residential platform in the UK between 2003 and 2010. He was Founder and Co-chair of the European Residential Council of the Urban Land Institute, having previously established the UK Residential Council where he oversaw the publication of the Best Practise Design Guide for Build to Rent (Multi-Family Housing).

In 2014, Nick was made an Honorary Fellow of the Royal Institute of Chartered Surveyors in recognition of his contribution to the housing sector.

David Montague

David is Chair of the HHRP Board and a member of the HHGL Board. David spent 33 years at leading housing association L&Q rising through the ranks to CFO and then CEO for 13 years. During his time L&Q grew to over 100,000 homes across all tenures with another 100,000 homes in the development pipeline. David chaired G15 (the group of largest 15 housing associations in London), sat on the Board of the National Housing Federation and in 2013 was awarded a CBE for services to housing. David now acts in an advisory and Non-Executive capacity for a number of residential developers and sits on the Board of The Housing Finance Corporation.

Felicity James Smith

Felicity started her career working in the reconstruction and receivership team at KPMG. After qualifying she has had a long career in commercial management within a diverse range of TV broadcasting platforms, multimedia operations, property data and consulting. Her career of over thirty years in Australia, Japan and the UK has led to the development of a broad range of skills specialising in commercial agreements, corporate structuring, dispute r resolution and HR management and operations. Alongside her non-executive role at Heylo Felicity continues to advise private clients.

Governance Framework

The Board of HHGL appreciates that in order for HHGL to achieve its Purpose, Mission, and Vision that good corporate governance is essential. A strong corporate governance framework allows HHGL to operate in an effective and entrepreneurial way for the benefit of its customers, investors and other stakeholders.

Code of Governance

HHGL has adopted the principles of the FRC UK Corporate Governance Code 2018 which operates on a "'comply or explain"' basis. In August 2022, the Board completed a gap analysis with the principles of the Code and identified the next steps as the Company continued to grow. The Board were updated in February 2023 on progress against this plan and the significant works completed to achieve compliance against the principles of the Code and were assured that HHGL either complies in all areas, or can satisfactorily explain where the structure of the business is not entirely aligned with the Code, and/or where there is work in progress to address previous gaps. In February 2024, the HHGL Board has reaffirmed that it does comply with the principles of Code on a "comply or explain" basis, attesting to this position in these accounts.

We have noted that certain provisions of the Code were created to companies listed on a stock exchange, which will not apply to HHGL. During the financial year ended 30 September 2023, the Company applied the principles of the Code and the table below for the "explain" matters, to demonstrate how we have applied the principles of the Code. As the Company is a private company with no employees, it does not apply a number of provisions of the Code because they are not relevant in the context of the Company's business. Subject to the principles not applicable and work being done to address previous gaps, the Company was compliant or became compliant with the principles of the Code during financial year 2022/23. For those principles of the code that are explained in the table, It clarifies whether the code is not relevant.

CoG ref	Issue	Explanation
2	Culture	HHGL does not have employees but works with, ResiManagement to influence culture. The HHGL Board attends meetings with staff in their offices, engages in staff lunches and has also attended a site visit of HHGL stock with ResiManagement staff. Further a programme of HHGL and ResiManagement engagement activities is planned to further engage and embed the HHGL Board within the ResiManagement operational activities including values focused staff recognition events and awards. As stated, the HHGL Board regularly reviews and engages in the assessment and direction of the ResiManagement staff survey.
12	Senior Independent Director (SID)	This was previously identified as a gap. Nick Jopling was appointed as SID for the parent Board in October 2022.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the group's position, performance, business model and strategy.

Board Leadership and Purpose

The HHGL Board sets the overall aims and objectives of the Group and ensures that HHGL and its subsidiaries are meeting these and keeping within their legal and ethical obligations. The HHGL Board is also responsible for protecting and ensuring the financial wellbeing of the Group. The HHRP Board plays a key role, working alongside the Group Board in formulating strategy, aims and objectives, and ensuring the independent voice of HHRP within the Group.

Customer needs and views have been a key strategic focus of the HHGL Board this year. The establishment of the customer engagement team, resident hardship fund, cost of living helpline are just some of the activities and arrangements established to ensure that we have a direct line to and for our residents to speak to us.

We are grateful for the support and dedication our residents show us; we received over 70 applications from residents to join our new HHRP Customer Committee, from which 7 highly skilled and engaged residents have been selected. Our Committee membership is representative of all our tenure types and across our national locations.

The detailed arrangements by which HHGL exercises control and oversight of its subsidiaries is set out in the 'Standing Orders and Delegated Authorities' which has been adopted by both the Boards of HHGL and HHRP. This framework covers governance controls, operational controls and financial controls. HHGL is led by an effective and entrepreneurial Board of Directors with substantial experience of the sector who understand how to create long-term sustainable success for HHGL by articulating and monitoring a clear Purpose, Mission and Vision supported by the right culture. The Board role-model HHGL and the wider Group's common Values and Behaviours, ensuring that sufficient resources are available for HHGL, and engaging with key stakeholders on a regular basis.

As at 30 September 2023, the HHGL Board comprised five members, with all members selected based upon the skills and experience that they can contribute.

The Board provides this leadership within a clear framework of effective and prudent controls which allow risk to be assessed and managed. Based upon the business model, a strategic plan for the forthcoming five years (along with a budget for the forthcoming year) has been approved in conjunction with other Heylo Group companies. This strategy, and the accompanying financial plan was and is regularly stress-tested against various scenarios.

Monitoring Culture and Relationships with Stakeholders

The Heylo Group companies have clearly articulated Values and Behaviours which are consistent across the Group and which are the foundation of its culture. The Board has been able to monitor the culture within the Heylo Group Companies directly through regular contact and reporting as well as a staff survey carried out within ResiManagement.

ResiManagement staff are the face of the HHGL to its customers and so act under the HHGLs strategic direction to deliver the HHGL culture. In the reporting year, HHGL regularly reviews staff surveys to determine a number of key performance indicators including whether the staff are 'proud to be part of heylo' and the level of attrition rate of staff leaving the organisation. The HHGL Board has set targets through the strategic plan to regularly monitor culture.

The Heylo Group companies appreciates the importance of effective and efficient stakeholder engagement and communication – from its shareholders, its investors, customers, housebuilders, the Regulator of Social Housing, Homes England, local authorities, suppliers or anyone else who interacts with HHRP, other Heylo Group companies and ResiManagement.

Division of Responsibilities

The Chairman
The Chairman, Jos Short, has demonstrated responsibility for leadership of the Board and in ensuring its overall effectiveness by creating a culture of openness and accountability. The role has included establishing the relevant agendas, ensuring that high-quality, timely, and clear information has been delivered to the Board, encouraging a thorough and rigorous debate at meetings by supporting contributions from all Directors to allow for effective decision making.

Senior Independent Director
A Senior Independent Director, Nick Jopling sits on the HHGL Board.

The Board

For the twelve months ending 30 September 2023, the Board comprised those Directors listed on page 17. As at 30 September 2023, all Directors are independent Non-Executive Directors but for Giles Mackay who is the Ultimate Beneficial Owner of the Group. All Board members must declare any outside interests, and this register is reviewed by the HHGL Board annually.

The details of the attendance of the Directors at these meetings are shown below. In addition, there was a strategy day with other Heylo Group companies.

Board Meeting Attendance

	HHGL											
	14.10. 2022	23.11. 2022	19.01. 2023	27.01. 2023	28.02. 2023	16.03. 2023	20.04. 2023	04.05. 2023	15.05. 2023	24.05. 2023	14.08. 2023	30.08. 2023
Grenville Turner	P	P	P	P	P	P	P	P	P	P	RESIGNED 1/07/2023	
Jos Short (HHGL Chair)	P	P	P	P	P	P	P	P	P	P	P	P
Nick Jopling	P	P	A	P	P	P	P	P	P	P	P	P
Giles Mackay	P	P	P	P	P	P	P	P	P	P	P	P
David Montague	P	P	P	P	P	P	P	P	P	P	P	P
Felicity James Smith	APPOINTED 11 SEPTEMBER 2023											

P: Present
A: Apologies

Board Composition, Succession, and Evaluation

In order to facilitate continuing improvement in individual Director and Board effectiveness, an evaluation of the Board is carried out annually. These internal and external reviews of the Board have informed the Board composition. Campbell Tickell were retained to expand their work on an external evaluation of the HHRP Board to also include the HHGL Board. In the recruitment of new Board members, a description of the role and of the capabilities required is agreed, an external recruitment consultant is engaged to identify relevant candidates based upon the criteria and a recommended shortlist, suitable candidates are interviewed and considered by members of the Board in order that a recommendation can be made to the full Board, the parent, and investors. In addition to using an external search firm, open advertising is often used to attract potential candidates. Finally, in all recruitment efforts, the Board is focused on diversity and inclusion in order to build a strong and effective culture that it needs to deliver on the aspirations of the business.

During the year, Campbell Tickell were retained to provide recruitment and consultancy, in addition to the broader consultancy advice they were providing to HHRP.

Upon appointment, the Chairman approves an extensive and tailored induction plan for new Board members to learn the business and the management of the Company and other Heylo companies. Both new and existing Board members are offered training in matters relevant to their role on the Board. The Company Secretary is available to give advice to all Directors on Board corporate governance and procedures. With respect to the terms of their appointment, Directors can obtain independent advice in relation to the performance of their duties at the Company's expense, subject to having first notified the Chairman and Company Secretary.

Finally, in all recruitment efforts, the Board is focused on diversity and inclusion to build a strong and effective culture that it needs to deliver on the aspirations of the business. Aligned with the above recruitment, a survey of the Board was carried out, summarised below. Through this review, it was agreed that the HHGL Board needed to do more to improve the diversity on its board. Targeted recruitment with the support of procured independent board recruitment specialists was undertaken further to which additional diversity was achieved on the board through the appointment of Felicity James Smith and Jo Makinson. This EDI review of the Board continues to be developed and monitored to inform the succession plan and Board/Committee training and recruitment activities. The table below sets out the EDI monitoring results of the Board as of September 30, 2023.

	Age	**Gender**	**Race**	**Current Disability**	**Sexual Orientation**	**Religion**	**Lived social housing experience**
HHGL (5 members 1 member = 20%)	60-64 80% 55-59 20%	Male 80% Female 20% *No one has declared a gender change since birth*	White 100%	None 100%	Heterosexual 80% Gay 20%	No religion 20% Christian 60% Prefer not to say 20%	Yes 20% No 80%

Intra Group relationships
The relationship between HHGL, HHRP and ResiManagement are governed by a Principal Management Agreement between ResiManagement, the Investment Companies and HHRP with this being last updated in May 2021, and a new Management Agreement between ResiManagement and HHRP which was signed in June 2022.

HHRP has continued access to the resources, advice and services of the HHGL, formalised via appropriate binding legal agreements which provide support.

There are also various other intra-group agreements. The HHGL Board has overall control of the business of the Company with the Board responsibilities set out in detail in the Board Terms of Reference and Standing Orders. As parent company, HHGL provides support to HHRP as needed, providing coordination with the Heylo Group operating investment companies ("Pods") and other Heylo group entities.

Board Committees
The following committees have been established by the parent HHGL Board to consider specific aspects of the Group's affairs, and explicitly within their terms of reference also providing recommendations and support to the HHRP Board. The Chairs of the committees report back at the next HHGL and HHRP Board meetings following each committee meeting. The committees and their main roles and responsibilities are set out in written terms of reference and summarised below.

Audit and Risk Committee
Members: Jos Short (until his appointment as Chair of HHGL) and Nick Jopling (HHGL Board member and ARC Chair between 3 July 2023 and 14 November 2023). Both are members of the HHGL Board. Under the Terms of Reference of the Committee, Tim Willcocks attends as an HHRP Director representative with the right to request

that certain relevant items be considered and actions taken to ensure the interests of the HHRP are properly met and integrated into the work of the Committee.

- o Assist the HHGL Board in its oversight of the financial reporting, including supporting the Board in meeting its responsibilities regarding financial statements and the financial reporting systems and internal controls and providing assurance as to Group's compliance with the risk and internal control requirements of Group's chosen Code of Governance.
- o Making *recommendations to the HHGL and HHRP Board on the removal, appointment and re-*appointment of the external auditor and approving its remuneration and terms of engagement;
- o monitoring and reviewing the external auditor's independence, objectivity, and effectiveness, taking into account professional and regulatory requirements.
- o Assist the HHGL Board to ensure effective governance oversight of the delivery of the Company's responsibilities under the RoSH Regulatory Standards and its adopted Governance Code.
- o Monitor, on behalf of the HHGL Board, the effectiveness and objectivity of internal and external auditors.
- o Provide input to the HHGL Board in its assessment of enterprise risks and determination of risk appetite as part of the overall setting of strategy for the Company.
- o Assist the HHGL Board in its oversight of the Company's risk management framework, monitoring its effectiveness through functional implementation in the 'second line of defence' and its performance to protect against and mitigate risks in the 'first line of defence'.

During the year, as well as the above, the Audit and Risk Committee considered the following items:

- Asset compliance assessments (Fire, Legionella, Electrical, Gas, Asbestos and Lifts) and deep dive into Health and Safety
- Analysis of the potential impact of the Cost of Living crisis on customers
- Further development of financial risk controls
- Investment Committee Terms of Reference updates
- Review of valuation assumptions underpinning EUV-SH
- Drivers of outright sales impact
- Further development of our arrears reporting
- Risk Management Framework
- Internal Audit approach

Audit and Risk Committee Attendance

	16.11.2022	08.02.2023	23.02.2023	15.05.2023	15.08.2023
Jos Short		P	A		
Nick Jopling	P	P	P	P	P
David Montague	P	A	P		
Salma Shah				P	P

Remuneration and Nominations Committee (note – this committee was formed in October 2022)

Members: Jos Short (Chair), Nick Jopling, Tabitha Kassem and Priya Nair (HHRP Board representative)

- Determining and approving (within any limits and budgets set by the Board from time to time) the salary and other terms and conditions of employment of all members of the Board and of the Corporate Management Team to enable the recruitment, motivation and retention of Board members, the Chief Executive and Directors
- Assisting the Board by reviewing and making recommendations in respect of the remuneration policies and framework for all employees of Heylo Group and its sister company, Resi Management

- Carrying out recruitment activity for new Board Members of any Group member (which for the avoidance of doubt does not include Resi Management), acting under the direction of the relevant Boa
- Ensuring that any decisions made are consistent with the law, with the relevant provisions of the Governance Code adopted by the relevant Group entity, and (in relation to matters affecting Heylo Housing RP) with the requirements of the Regulator of Social Housing
- The committee uses skill assessments for succession planning (in advance of any recruitment) and highlights the terms of any appointments recommended. The assessments

include appointment recommendations to support inclusivity and diversity aligning to the Company's values and behaviors.

Remunerations & Nominations Committee attendance

	10.11.2022	07.02.2023	16.05.2023	03.07.2023	18/08/2023
Jos Short (HHGL Chair)	P	P	P	P	P
Nick Jopling	P	P	P	P	P
Priya Nair	[redacted]				P
Tabitha Kassem	P	P	P	P	[redacted]

Investment Committee
Members:
Executives of ResiManagement, and include two board members from HHRP. Moving forward it is proposed that this will directly become an Executive Committee of ResiManagement, and a new Acquisitions Committee will be created as a direct subsidiary of the HHGL Board.

The Investment Committee meets weekly and otherwise as required.

- Assist the HHRP Board in the decision-making process on future investments, and on key decisions associated with the management of the existing portfolio (including, but not limited to, re-mortgaging, asset sales, tenant complaints etc);
- In accordance with agreed schedules of delegation, approve investment propositions made by the Partnership Directors to proceed to contractual negotiation, and, thereafter to return for formal final approval with a finalised contract in place to purchase the associated assets.
- Monitor the investment pipeline as well as any investment-related portfolio items.

As and when required, the HHGL Board may establish a steering group or other decision-making body within its governance arrangements with delegated responsibility to oversee a matter or risk identified (see Governance and Financial Viability below). In recognition of the changing membership of the Board and its Committees the Board directed that a Remunerations and Nominations Committee be established in the previous financial year, with delegated responsibility for overseeing the recruitment of new independent Board members and making recommendations on appointments to the Board and its Committees. As part of this reporting, the committee uses skill assessments for succession planning (in advance of any recruitment) and highlights the terms of any appointments made.

Internal Controls Assurance

The HHGL Board has overall responsibility for the system of internal control and risk management within HHGL and for reviewing its effectiveness. The Audit and Risk Committee is responsible on behalf of the HHGL Board for monitoring this system and reporting on its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Key elements of HHGL's internal control framework include:

- Board approved terms of reference and delegated authorities for Audit and Risk, Investment and Remuneration and Nominations Committees.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks. The Executive Directors of ResiManagement regularly consider reports on these risks and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

The framework is made up of:

- Internal audit assurance. The Group's internal audit function is delivered through specialist third party organisations which have a direct reporting line to the Audit and Risk Committee. The internal audit programme is designed to review key areas of risk.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts. These are reviewed and approved by the Board and actual performance versus budget/forecast is monitored throughout the year by the Executive Directors of ResiManagement and the Board.
- Regular reporting to the Chief Executive Officer and the HHRP, the Pods and HHGL Boards on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. These reports and the outcomes of these reviews are reported to the Board at each meeting throughout the year.
- Formal recruitment, retention, training, and development policies for all employees of ResiManagement who carry out these services through the Management Agreements with HHGL and HHRP.
- Established authorisation and appraisal procedures for all significant new initiatives and commitments.
- Board approved Whistle Blowing, Anti-Fraud, Anti-Bribery, tax evasion, Modern Slavery Act and Anti-Money Laundering Policies, covering prevention, detection and reporting of fraud, and the recovery of assets.
- Policies on payments and expenses to employees and Board members.

The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives regular reports from the Audit and Risk Committee together with minutes of Audit and Risk Committee meetings.

The Audit and Risk Committee and Board have received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group. In their annual report, the internal auditors confirmed that the systems of internal control continue to demonstrate a strong internal control environment.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 30 September 2023 and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

Investment Committee

- Assist the HHGL Board in the decision-making process on future investments, and on key decisions associated with the management of the existing portfolio (including, but not limited to, re-mortgaging, asset sales, tenant complaints etc);
- In accordance with agreed schedules of delegation, approve investment propositions made by the Partnership Directors to proceed to contractual negotiation, and, thereafter to return for formal final approval with a finalised contract in place to purchase the associated assets.
- Monitor the investment pipeline as well as any investment-related portfolio items.

Regulator of Social Housing ("RoSH") Standards

Heylo Housing Group Limited (HHGL) subsidiary Heylo Housing Registered Provider Limited (HHRP) is a registered provider of social housing (registered provider number 4468).

In early 2022 the Company was the subject of the first In Depth Assessment (IDA) carried out by the Regulator of Social Housing on a for profit registered provider. The RoSH announced on 7 July 2022 an assessment of Grading' Under Review and on 21 December published a Regulatory Judgement rating HHRP as G3/V3.

Since this time, the HHRP Board has worked closely with RoSH to provide information and assurance as to the arrangements in place, proposed, or being adopted to improve the governance arrangements. Copies of all HHRP Board meeting papers, which include all committee meeting minutes (which are shared with the HHRP Board as a matter of course) have been and are provided to RoSH when published to the HHRP Board. There have been meetings with RoSH, face to face or virtually, to enable further discussion, assurance and development of arrangements to achieve regulatory compliance.

Since February 2022, the HHRP Board has been working with RoSH to seek to agree a Voluntary Undertaking which will ensure the HHRP achieves compliance. An Action Plan and supporting HHRP Board led steering group was first established in February 2022. With the advice of external and independent governance professionals and solicitors, detailed governance reviews have been completed to provide assurance to the HHRP Board and RoSH as to arrangements in place as well as the proposed path to compliance which includes the restructure of the Heylo group so as to give the HHRP Board improved control, visibility and oversight of social housing assets. This proposal is currently being reviewed by RoSH, and work is underway to deliver the required changes under this plan. HHRP will continue to work collaboratively with the Regulator in order to ensure its governance and financial viability requirements are met in full with a return to compliance as soon as possible.

A detailed self-assessment has been carried out against the Governance and Financial Viability Standard. This agreed with several areas of non-compliance as set out by the RoSH in their Regulatory Judgement. In summary, through the proposed restructure, the HHRP will be able to demonstrate that it can control social housing assets independently of the investment pods and HHGL and cannot be prejudiced by the activities or influence of the parent company or another part of the group profit making registered providers. Further, by the investment pods becoming subsidiaries of the HHRP, their interests will be aligned to that of the HHRP and Registered Provider of Social Housing status; the HHRP Board will have the power to direct and control the investment pods and all the social housing assets by virtue of becoming the majority shareholder of those entities.

Working with the HHRP Board, the HHGL Board has assessed and satisfied itself in relation to compliance with the current RoSH consumer standards, though noted that further work is being carried out to ensure compliance with the incoming revised Consumer Standards. This includes the establishment of the HHRP Customer Committee in January 2024 and further work around customer engagement, the success of which will be monitored by the newly formed Customer Committee and ongoing reporting to the HHRP Board. All other areas were considered to be compliant.

The HHGL Board has also received assurance on the Group's compliance with all other relevant laws and guidelines including Anti-Fraud, Anti-Bribery, Modern Slavery, Money Laundering, GDPR, Tax Evasion Legislation and Whistle-blowing and other probity policies.

This board report was approved by the board on 3/25/2024 and signed on its behalf

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J Short
Chair

Heylo Housing Group Limited

Directors' report
for the year ended 30 September 2023

The Directors present their report and audited consolidated financial statements of Heylo Housing Group Limited and its subsidiaries ('The Group') for the year ended 30 September 2023.

Results and dividends

The loss for the period, after taxation, amounted to £29.1m (2022 - profit £36.6m). Loss for the period, after taxation, primarily driven by the increase in the investment property valuation of the properties acquired and the continuing growth in rental income, and offset by an increase in interest payable in the year, one-off loss of £8.2m (2022 - £Nil) represent the loss on fair value of the loan and loan modification (note 8) and less government grant income received in the year £12,477,000 (2022 - £33,704,000).

No dividends were declared or paid during the period.

Overview and principal activities

The Group is a property investment group that acquires residential properties that it leases on a part buy - part rent basis (via its subsidiary Heylo Housing Registered Provider Limited) to the Heylo Group's customers.

Directors

The Directors who served during the period were:

G P C Mackay
J O Short
G Turner (resigned on 1 July 2023)
N Jopling
D F Montague
F James Smith (appointed on 11 September 2023)

Future developments

The business strategy of the Group is to continue to invest in residential properties provided on shared ownership basis to generate future income through rent and future sales.

Internal controls and risk management environment

The Directors are satisfied that the Group as well as ResiManagement Limited (who provides management services to all of its subsidiaries) operate a robust internal control and risk management environment. In particular, there is an extensive set of policies and procedures supporting how the day-to-day business operates and is managed. These policies and procedures are reviewed regularly and updated as appropriate to reflect changes in the market as well as enhancements on how the Group delivers to HHRP and its customers.

Qualifying third party indemnity provisions

The Group parent has put in place qualifying third party indemnity provisions for all the directors of Heylo Housing Group Limited, HH No.1 Limited, HH No. 2 Limited, HH No.3 Limited, HH No.5 Limited, HH No.6 Limited, Heylo Housing Secured Bonds Plc and Heylo Housing Registered Provider Limited which remain in force at the date of this report.

Going concern

The financial statements of the Group and Company are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As at the reporting date, the Company has net current liabilities of £0.6m (2022 - £0.9m) and net assets of £5.1m (2022 - £4.6m). The Company has cash at bank and in hand of £0.3m (2022 - £0.07m). As at the reporting date, the Group has net current assets of £58.5m (2022 - £40.8m) and net assets of £219.0m (2022 - £248.1m). The Group has cash at bank and in hand of £23.6m (2022 - £25.6m).

The Directors have prepared cash flow information for the Company and the Group in order to assess going concern over a period of at least 12 months from the date of the approval of the financial statements, the going concern assessment period. The directors have also assessed whether the Group will be able to comply with all financial loan covenants during this period.

In light of the ongoing global unrest and economic volatility, such as mortgage costs increasing together with higher inflation, higher energy bills, impacts to cost of living and so on the Company has considered the operational performance of its property portfolio as well as its cash flow position, including stress testing for adverse severe but plausible impacts. The Company's operational performance of its rental portfolio continues to be strong against the expected revenue. Collection rates continue to be at 98%, although the number of people moving into and out of arrears or onto an off-repayment plan has increased along with the intensity of arrears management work. Based on its traditional, tried and tested approach to arrears collection, and given Government imposed limitations on legal action through possession and eviction, the Company has continued to mitigate the financial impacts upon some households through repayment plans and proactive dialogue with tenants who are in, or likely to face, distress; a form of forbearance that has so far delivered good performance outcomes for the business too.

Each individual investment pod is required to comply with its own financial covenants, which are assessed at a Company level. The Asset Cover Ratio is a sensitive ratio and will continue to be tested on a six-monthly basis during the going concern period. The asset cover is the ratio of the value of properties to the notional amount of all notes less the charged cash. The directors acknowledge that each Company's property valuation is dependent upon various assumptions made by the external valuer when a property valuation is performed for covenant compliance purposes.

As a result of external operational pressures, HH No. 5 Limited has seen a reduction during the year in the headroom on financial covenants, in particular the asset cover ratio. Following analysis of the impact of these external operational pressures, the Directors sought, and received, prior to the 30 September 2023 test date a waiver of the asset cover ratio as at 30 September 2023. This also applied to HH No. 1 New Holdings Group, however this waiver was not required.

For the going concern assessment period, base case cash flow and valuation forecasts have been produced for the Group, which reflects the Directors' best estimate of the future prospects of the Group and its operations, and the Directors do not expect a breach of debt covenants in the going concern period.

The Directors have also performed a detailed sensitivity analysis to consider the Group's ability to withstand severe but plausible downsides affecting the Group's property valuation, such as adverse movements in house price inflation, retail price inflation, staircasing, gross rent receivable and discount rate.

Without mitigations a possible breach of the asset cover ratio could arise in a severe downside scenario in some of the individual investment Pods. However, the Directors' are confident that effective monitoring and oversight arrangements exist in order to identify a potential breach in advance, with realistic and achievable mitigations available. Potential mitigating actions on the severe but plausible downside scenarios have been identified such as: reducing operating expenditure, in particular management fees to other group companies; accessing cash from other group companies; using surplus cash for reinvestment in high yielding properties; and obtaining covenant waivers as needed, which have historically been granted when requested.

Individual companies within the Heylo Housing Group have indicated their intention to continue to make available such funds as are needed to mitigate the risk of an individual company within the Heylo Group breaching financial covenants during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The first In Depth Assessment (IDA) carried out by the Regulator of Social Housing on a for profit Registered Provider in January 2022, in July 2022 HHRP was placed on the Gradings Under Review List. This was followed in December 2022 with a non-compliant Regulatory Judgement of G3/V3.

Throughout the year the HHRP Board has continued to work closely with the Regulator of Social Housing, developing and embedding improved governance arrangements and controls, and assessing, managing and addressing risks to ensure the long term viability and protection of social housing assets. A Voluntary Undertaking and associated Action Plan was first proposed to the Regulator in February 2022, and although a significant amount of work has been carried out since to address the Regulator's concerns, this undertaking has yet to be formally accepted. Directors analysed the impact of this on the group's going concern, and considers that this doesn't impact the ability of the group to continue its business.

Therefore, the Directors consider it appropriate to prepare the Group and Company's financial statements on a going concern basis.

Streamlined energy and carbon reporting

In compliance with UK reporting requirements (Streamlined energy and carbon reporting) the directors are required to disclose UK energy and greenhouse emissions data for the Group. However, under BEIS guidelines the Group can exclude the information for those subsidiaries that would not be required to report in their own directors' reports. Accordingly, as no subsidiaries were required to report energy and carbon information, no data is included in the Group report. In addition, the parent company did not meet the criteria for separate disclosure given its nature as a holding company.

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 and Group'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 and Group's auditor is aware of that information.

This report was approved by the Board on 3/25/2024 and signed on its behalf.

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J Short
Director

Heylo Housing Group Limited

Directors' responsibilities statement
for the year ended 30 September 2023

The directors are responsible for preparing the Chair and Chief executive's report, the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company financial statements in accordance with UK-adopted international accounting standards and applicable law.

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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Heylo Housing Group Limited

Independent auditor's report to the members of Heylo Housing Group Limited

Opinion

We have audited the financial statements of Heylo Housing Group Limited ("the Group and the parent Company") for the year ended 30 September 2023 which comprise the Group statement of comprehensive income, the Group and the Parent company statement of financial position, the Group statement of cash flows, the Group and Parent statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and inspection of policy documentation as to the Group's and the parent Company's high-level policies and procedures to prevent and detect fraud, and the Group's and the parent Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls, i n particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as valuation of investment property assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's and the parent Company's revenue streams are routine with little judgement and have limited scope for manual intervention. Due to the predictability of the revenue streams, we consider there to be limited opportunity for fraudulent revenue recognition.

We have identified a fraud risk related to the valuation of investment properties in response to the risk that an inappropriate amount is estimated or recorded for the fair value of investment property measured under the fair value model.

In determining the audit procedures we took into account the results of our evaluation of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those containing a fair value on investment properties impact posted to unusual accounts and those containing a cash and borrowings impact posted to unusual accounts.
- Assessing whether the judgements made in the accounting estimates are indicative of potential bias including assessing the assumption used in the valuation of investment properties.
- We challenged, with the support of KPMG valuation specialists, the methods of the valuation and the assumptions applied in the fair value of the year end investment property valuation within the components, being the discount rate, inflation rates, staircasing rate and rent collection rate against external industry data and historic and forecast Group performance.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group and the parent Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including Companies Act 2006), corporation tax legislation, related companies legislation, distributable profits legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group and the parent Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: data protection laws, health and safety legislation and compliance with regulations prescribed by RoSH England (Regulator of Social Housing). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the group and the parent Company, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 31, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

SBrown

Sarah Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill,
Snow hill Queensway
Birmingham
B4 6GH

Date: 27 March 2024

Heylo Housing Group Limited

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Revenue	5	**47,686**	**44,860**
Operating costs	6	**(20,517)**	**(20,146)**
Gross profit		27,169	24,714
Administrative expenses		(7,607)	(5,837)
Gain/(Loss) on disposal of investment properties	7	3,912	(232)
Gains from changes in fair value of investment properties – net of grant	15	66,332	107,726
Other expenses	8	(8,169)	-
Operating profit		81,637	126,371
Interest receivable and similar income	11	782	-
Interest payable and similar expenses	12	(105,449)	(94,212)
(Loss) / Profit before taxation		(23,030)	32,159
Taxation	13	(6,064)	4,429
(Loss) / Profit and total comprehensive income/(loss) for the period attributable to the owners of the parent company		(29,094)	36,588

There was no other comprehensive income for 2023 (2022 - £Nil).

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited
Registered number: 11104403

Consolidated Statement of Financial Position for the year ended 30 September 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Non-current assets					
Investment property	15		**1,395,452**		1,221,176
Investments	14		**-**		-
Trade and other receivables > one year	17		**9,475**		-
			1,404,927		1,221,176
Current assets					
Inventories	16	**9,085**		8,131	
Trade and other receivables < one year	17	**41,978**		25,652	
Cash at bank and in hand	18	**23,553**		25,606	
		74,616		59,389	
Current liabilities					
Trade and other payables	20	**(16,129)**		(18,617)	
Net current assets			**58,487**		40,772
Total assets less current liabilities			**1,463,414**		1,261,948
Non-current liabilities					
Loans and other payables	21		**(1,139,158)**		(914,662)
Deferred tax liability	22		**(105,277)**		(99,213)
Net assets			**218,979**		248,073
Capital and reserves					
Called up share capital	23		**-**		-
Non distributable reserves	24		**429,968**		348,191
Profit and loss account	24		**(210,989)**		(100,118)
Equity attributable to the owners of the parent company			**218,979**		248,073

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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J Short 3/25/2024
Director

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited
Registered number: 11104403

Company Statement of Financial Position
as at 30 September 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Non-current assets					
Investments	14		**5,671**		5,477
			5,671		5,477
Current assets					
Trade and other receivables	17	**3,362**		1,456	
Cash at bank and in hand	18	**259**		72	
		3,621		1,528	
Current liabilities					
Trade and other payables	20	**(4,184)**		(2,423)	
Net current liabilities			**(563)**		(895)
Total assets less current liabilities			**5,108**		4,582
Net assets			**5,108**		4,582
Capital and reserves					
Called up share capital	23		**-**		-
Non distributable reserves	24		**4,014**		4,014
Profit and loss account	24		**1,094**		568
Equity attributable to the owners of the parent Company			**5,108**		4,582

The profit for the parent company for the year was £526,000 (2022 - £440,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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J Short
Director 3/25/2024

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited

Consolidated Statement of Changes In Equity
for the year ended 30 September 2023

	Note	Called up share capital £'000	Non - distributable reserves £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2021	23/24	-	265,105	(53,620)	211,485
Profit for the year		-	-	36,588	36,588
Total comprehensive income for the year		-	-	36,588	36,588
Transfers between reserves		-	83,086	(83,086)	-
Shares repurchased		-	-		
At 30 September 2022	23/24	-	**348,191**	**(100,118)**	**248,073**
Loss for the year		-	-	**(29,094)**	**(29,094)**
Total comprehensive loss for the year		-	-	**(29,094)**	**(29,094)**
Transfers between reserves		-	**81,777**	**(81,777)**	-
At 30 September 2023	23/24	-	**429,968**	**(210,989)**	**218,979**

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited

Company Statement of Changes In Equity
for the year ended 30 September 2023

	Note	Called up share capital £'000	Non - distributable reserves £'000	Profit and loss account £'000	Total equity £'000
At 1 October 2021	23/24	-	4,014	128	4,142
Profit for the year		-	-	440	440
Total comprehensive income for the year		-	-	440	440
At 30 September 2022	23/24	-	**4,014**	**568**	**4,582**
Profit for the year		-	-	**526**	**526**
Total comprehensive income for the year		-	-	**526**	**526**
At 30 September 2023	23/24	-	**4,014**	**1,094**	**5,108**

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited

Consolidated Statement of Cash Flows
for the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss)/Profit for the financial year		**(29,094)**	36,588
Adjustments for:			
(Gain)/Loss on disposal of investment property	7	**(3,912)**	232
Interest income	11	**(782)**	-
Interest expense	12	**105,449**	94,212
Taxation	13	**6,064**	(4,429)
Loss on loan modification & loss on fair value of loan	8	**8,169**	-
Deferred government grant	15	**(12,477)**	(33,704)
Gains from changes in fair value of investment property	15	**(57,794)**	(74,022)
(Increase) in inventory	16	**(954)**	(5,581)
(Increase) in trade and other receivables	17	**(25,801)**	(14,342)
Increase/(Decrease) in trade and other payables	20	**(2,488)**	11,034
Net cash flows generated from/(used in) operating activities		**(13,620)**	9,988
Cash flows from investing activities			
Purchase of investment property	15	**(149,404)**	(204,939)
Proceeds from grants received	15	**7,544**	33,704
Proceeds from the sale of investment property	15	**35,991**	44,913
Interest received	11	**-**	-
Net cash used in investing activities		**(105,869)**	(126,322)
Cash flows from financing activities			
Proceeds from issuance of bonds	21,25	**141,750**	147,501
Loan repayment	21,25	**(3,550)**	(41,414)
Debt issue costs	21,25	**-**	(1,118)
Interest paid	21,25	**(20,764)**	(15,797)
Net cash flows from financing activities		**117,436**	89,172
Net increase/(decrease) in cash and cash equivalents		**(2,053)**	(27,162)
Cash and cash equivalents at beginning of the year	18	**25,606**	52,768
Cash and cash equivalents at end of the year	18	**23,553**	25,606
Represented by:			
Cash at bank available on demand	18	**19,176**	22,090
Cash at bank restricted based on loan agreements	18	**4,377**	3,516

The notes on pages 42 to 67 form part of these financial statements.

Heylo Housing Group Limited

Notes forming part of the financial statements
for the year ended 30 September 2023

1 General information

Heylo Housing Group Limited ("Heylo" or "the Company") is a private company limited by shares and incorporated, domiciled and registered in England & Wales under the Companies Act on 8 December 2017 and its registered number is 11104403. The registered office is 6 Wellington Place, Fourth Floor, Leeds, England, LS1 4AP.

Heylo and its subsidiaries form a group (the "Group") that specialises in the provision of part buy - part rent residential properties.

2 Accounting policies

2.1 Basis of preparation of financial statements

The consolidated financial statements of the Company and its subsidiaries, ("the Heylo Group") are presented for the year ended 30 September 2023.

The Group's consolidated financial statements for the year ended 30 September 2023 have been prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The Company financial statements for the year ended 30 September 2023 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and applicable UK law and regulations.

The financial statements have been prepared under the historical cost convention, except for investment properties that have been measured at fair value.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000, unless otherwise stated.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. The Company did not have any other comprehensive income during the period.

In preparing the financial statements, the Directors have considered the impact of the physical and transition risks of climate change and identified this as a principal risk, but have concluded that it does not have a material impact on the carrying values of investments, and the recognition and measurement of the assets and liabilities in these financial statements as at 30 September 2023.

The Company has also taken advantage of the following disclosure exemptions available under FRS 101:

- The requirements of the following paragraphs of IAS 1 'Presentation of Financial Statements';

  - 10(d) statement of cash flows;
  - 16 an explicit and unreserved statement of compliance with all IFRS;
  - 111 cash flow statement information; and
  - 134-136 capital management disclosures;

- The requirements of IAS 7 'Statement of Cash Flows';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation); and
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2 Accounting policies *(continued)*

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2023 as if they form a single entity. Intercompany transactions and balances between group companies are eliminated.

2.3 Going concern

The financial statements of the Group and Company are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As at the reporting date, the Company has net current liabilities of £0.6m (2022 - £0.9m) and net assets of £5.1m (2022 - £4.6m). The Company has cash at bank and in hand of £0.3m (2022 - £0.07m). As at the reporting date, the Group has net current assets of £58.5m (2022 - £40.8m) and net assets of £219.0m (2022 - £248.1m). The Group has cash at bank and in hand of £23.6m (2022 - £25.6m).

The Directors have prepared cash flow information for the Company and the Group in order to assess going concern over a period of at least 12 months from the date of the approval of the financial statements, the going concern assessment period. The directors have also assessed whether the Group will be able to comply with all financial loan covenants during this period.

In light of the ongoing global unrest and economic volatility, such as mortgage costs increasing together with higher inflation, higher energy bills, impacts to cost of living and so on the Company has considered the operational performance of its property portfolio as well as its cash flow position, including stress testing for adverse severe but plausible impacts. The Company's operational performance of its rental portfolio continues to be strong against the expected revenue. Collection rates continue to be at 98%, although the number of people moving into and out of arrears or onto an off-repayment plan has increased along with the intensity of arrears management work. Based on its traditional, tried and tested approach to arrears collection, and given Government imposed limitations on legal action through possession and eviction, the Company has continued to mitigate the financial impacts upon some households through repayment plans and proactive dialogue with tenants who are in, or likely to face, distress; a form of forbearance that has so far delivered good performance outcomes for the business too.

Each individual investment pod is required to comply with its own financial covenants, which are assessed at a Company level. The Asset Cover Ratio is a sensitive ratio and will continue to be tested on a six-monthly basis during the going concern period. The asset cover is the ratio of the value of properties to the notional amount of all notes less the charged cash. The directors acknowledge that each Company's property valuation is dependent upon various assumptions made by the external valuer when a property valuation is performed for covenant compliance purposes.

As a result of external operational pressures, HH No. 5 Limited has seen a reduction during the year in the headroom on financial covenants, in particular the asset cover ratio. Following analysis of the impact of these external operational pressures, the Directors sought, and received, prior to the 30 September 2023 test date a waiver of the asset cover ratio as at 30 September 2023. This also applied to HH No. 1 New Holdings Group, however this waiver was not required.

For the going concern assessment period, base case cash flow and valuation forecasts have been produced for the Group, which reflects the Directors' best estimate of the future prospects of the Group and its operations, and the Directors do not expect a breach of debt covenants in the going concern period.
The Directors have also performed a detailed sensitivity analysis to consider the Group's ability to withstand severe but plausible downsides affecting the Group's property valuation, such as adverse movements in house price inflation, retail price inflation, staircasing, gross rent receivable and discount rate.

2 Accounting policies *(continued)*

Without mitigations a possible breach of the asset cover ratio could arise in a severe downside scenario in some of the individual investment Pods. However, the Directors' are confident that effective monitoring and oversight arrangements exist in order to identify a potential breach in advance, with realistic and achievable mitigations available. Potential mitigating actions on the severe but plausible downside scenarios have been identified such as: reducing operating expenditure, in particular management fees to other group companies; accessing cash from other group companies; using surplus cash for reinvestment in high yielding properties; and obtaining covenant waivers as needed, which have historically been granted when requested.

Individual companies within the Heylo Housing Group have indicated their intention to continue to make available such funds as are needed to mitigate the risk of an individual company within the Heylo Group breaching financial covenants during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The first In Depth Assessment (IDA) carried out by the Regulator of Social Housing on a for profit Registered Provider in January 2022, in July 2022 HHRP was placed on the Gradings Under Review List. This was followed in December 2022 with a non-compliant Regulatory Judgement of G3/V3.

Throughout the year the HHRP Board has continued to work closely with the Regulator of Social Housing, developing and embedding improved governance arrangements and controls, and assessing, managing and addressing risks to ensure the long term viability and protection of social housing assets. A Voluntary Undertaking and associated Action Plan was first proposed to the Regulator in February 2022, and although a significant amount of work has been carried out since to address the Regulator's concerns, this undertaking has yet to be formally accepted. Directors analysed the impact of this on the group's going concern, and considers that this doesn't impact the ability of the group to continue its business.

Therefore, the Directors consider it appropriate to prepare the Group and Company's financial statements on a going concern basis.

2.4 New and amended standards and interpretations

Several amendments and interpretations apply for the first time in the current year, but do not have an impact on the financial statements of the Group. There are also a number of standards and other pronouncements in issue that are not yet effective and have not been adopted, none of which are expected to have a material impact on the financial statements.

2.5 Revenue

Revenue comprises rental income received from the Group's property portfolio, revenue from those properties under management (see note 2.17), and first tranche sales of shared ownership properties.

Revenue is shown net of value added tax.

Rentals 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.

Property sales consist of one performance obligation – the transfer of property to the shared owner. The transaction price is fixed and specific in the sales contract. Revenue on first tranche sales is recognised at a point in time, when control of the property passes. Control is considered to pass on legal completion of the property sale. The structure of the Heylo Housing Registered Provider (HHRP) leases are such that HHRP is only required to pay onto the Head Landlord (i.e. the Company) the rent income (and other income) it receives under the underlying shared ownership leases.

2 Accounting policies *(continued)*

2.6 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants relating to the acquisition of shared ownership investment properties are recognised immediately as income to compensate for the reduction in fair value of the investment property. Accordingly, the grant income is adjusted from revaluation gains or loss reported in the Statement of Comprehensive Income. Prior to satisfying any performance obligations related to grant (which includes acquisition of investment property, application for government funding and compliance of capital funding guide), such grants are held as a liability (deferred income) on the Statement of Financial Position.

In some circumstances, typically when a Shared Owner staircases, there arises an obligation to repay the grant to the relevant government body. This is treated as a contingent liability until the conditions for repayment are expected to apply, in which case the amount repayable is recognised as a liability on the Statement of Financial Position and deducted from the measurement of any gain on the staircase transaction.

2.7 Operating costs

Operating costs comprise costs relating to the first tranche sale portion of newly acquired shared ownership properties. These costs include a share of expenditure incurred for acquisition of those properties in proportion to the first tranche percentage sold, direct overheads and other incidental costs incurred during the course of the sale of those properties.

Operating costs also include direct property expenses related to asset management and leasing activities.

2.8 Finance Costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated financial instrument.

2.9 Dividends

The asset owning Pods, do not distribute their profits to shareholders. Final dividends are recognised when declared and approved by the Company's shareholders at an annual general meeting and interim dividends are recognised when paid. The Company is restricted to make any other distributions from non-distributable reserves in line with the Note Programmes/Facility Agreements from the within HH No. 1 New Holdings, HH No. 2 Limited, HH No. 3 Limited, Heylo Housing Secured Bond Plc, HH No. 5 Limited and HH No. 6 Holdings Limited. The government grant income received by the company is classified in the non-distributable reserves.

2.10 Current and deferred taxation

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

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted in the United Kingdom at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax balances are recognised in respect of all temporary differences that have originated but

2 Accounting policies *(continued)*

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 (Note 13).

2.11 Inventories

Inventories relate to the portion of the properties that will be sold as the initial sale enabling the Group to enter into a shared ownership agreement. In accordance with IAS 2 Inventories, they are held at the lower of cost and net realisable value.

2.12 Financial instruments

The Group 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.

Cash and cash equivalents
Cash and cash equivalents are 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.

Financial liabilities

Trade and other payables
Short term payables are measured at the transaction price.

Borrowings
All borrowings are initially recognised at fair value net of directly attributable transaction costs.

After initial recognition borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities primarily comprise mainly of payments due to property developers and basic short term trade payables. Financial liabilities also include indexed linked bonds carried at historic cost plus a bi annual increase dictated by the original bond documentation which is calculated by reference to the LPI (Limited Price Indexation) index.

2 Accounting policies *(continued)*

Financial liabilities also include indexed linked bond issues on the Main Market of the London Stock Exchange and these bonds are within Heylo Housing Secured Bond Plc. They are carried at historic

cost plus a bi-annual increase dictated by the original bond documentation which is calculated by reference to the LPI (Limited Price Indexation) index. The fair value is determined to be at Level 1 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement for indexed linked bond issues.

2.1 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.2 Investment property

Investment properties are initially recognised at cost, including directly attributable transaction costs when title passes. Subsequently, Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. The fair value is determined to be at Level 3 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement. There have been no transfers between levels of the fair value hierarchy. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

The Group has assessed that the highest and best use of its properties does not differ from their current use.

Derecognition of the relevant portion of the property takes place through subsequent staircasing. The difference between the net disposal proceeds and the carrying value of the related proportion of the asset disposed is recognised in profit or loss in the period of recognition.

All of the investment property relates to the Group's share of the properties which they control and retain legal title.

Shared ownership

Shared ownership is where initially a long operating lease on a property is granted through the sale of an initial portion to the occupier, in return for an initial payment (the first Tranche). Initial sales are included within revenue and the related proportion of the cost of the asset recognised as cost of sales.

Shared owners have the right to acquire further tranches (staircasing) and any surplus or deficit on such subsequent sales are recognised in the Statement of Comprehensive Income as a part disposal of Investment properties.

2.3 Investments

Investments in subsidiaries are measured at cost and tested annually for impairment. Impairment is recognised in the profit and loss account.

Equity investments in other companies have been elected to be recognised at fair value through profit or loss.

Fair value is calculated with reference to the net assets of the equity investment with an adjustment for lack of control.

2 Accounting policies *(continued)*

2.4 Head lease liability

Some of the Group's investment properties are owned through long-leasehold arrangements, as opposed to the Group owning the freehold. Where the Group is a lessee, a right-of-use asset is recognised at the commencement date of the lease and accounted for as investment property. Initially, the cost of investment properties held under leases includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The investment properties held under leases are subsequently carried at their fair value.

The lease liability is included within trade and other payables. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

2.5 Lease administration fees

The various operating entities within the Heylo Housing Group collect administration fees monthly which are charged to the tenants. These monthly fees are paid to the Company, whose principal activity is to oversee the housing activities of the group companies. An administration fee clause is included in the shared ownership lease agreement and is also termed as the "lease administration fees".

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

For investment properties valuations management engaged the services of third party independent valuers and worked with them to refine assumptions throughout the valuation exercise. Management also reviewed the principal iterations of the valuation models prior to agreeing the fair value of investment properties presented in the financial statements (Note 15).

The Group estimates the proportion of shared ownership properties that will be sold as first tranche sales and therefore classified as inventory rather than investment property. The assumptions on which the proportion has been based include, but are not limited to, the affordability of the shared ownership properties, and the Group's general experience to date of first tranche shared ownership sales.

The Group is restricted to declare or pay dividend to a direct or indirect holder of its share capital, in cash or otherwise, or make any other distributions from its distributable and non-distributable reserves in line with the borrowing agreements. The government grant income received by the company is classified in the non-distributable reserves.

In accordance with IFRS 9 Financial Instruments, management have considered a modification to the terms of the bond notes, with regard to the HH No. 2 Limited Loan Facility Agreement, and consider that the modified terms are not substantially different from the original terms. In performing their assessment, management have compared the present value of the modified cash flows discounted using the original effective interest rate with the present value of the original cash flows. An adjustment has been recognised in the Statement of Comprehensive Income to reflect the impact of the modified terms.

4 Segmental information

In determining the Group'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 Group has a single operating segment, i.e. generating rent income and capital returns from investment properties.

All revenue from continuing operations is attributable to, and all non-current assets are located in the country of domicile of the Group, the United Kingdom.

The Group acquires residential properties that it leases to on a part buy-part rent basis to ultimate tenants. There is no individual customer/tenant of the Group that contributes greater than 10% of total revenue.

5. Revenue

	2023 £000	2022 £000
Gross rental income	**32,928**	27,150
First tranche property sales	**13,229**	16,466
Lease administration fees	**1,529**	1,244
	47,686	44,860

Minimum undiscounted 125 year rental lease payments from tenants using prevailing annual rent as at year-end, assuming no staircasing is expected to be as follows:

	2023 £000	2022 £000
1 year	**38,035**	29,996
2 years	**39,847**	30,172
3 years	**40,072**	30,347
4 years	**40,298**	30,526
5 years	**40,525**	30,704
After 5 years	**6,585,964**	5,369,080
	6,784,741	5,520,825

In the event where a tenant defaults on rental lease payments the Group through the Subsidiary can reclaim the property as they retain legal title.

6. Operating costs

	2023 £000	2022 £000
Property expenses	**6,680**	5,280
First tranche cost of sales	**13,837**	14,866
	20,517	20,146

7. Gain/(Loss) on disposal of investment properties

	2023 £000	2022 £000
Gain/(Loss) on disposal of investment properties	**3,912**	(232)

8. Other expenses

	2023 £000	2022 £000
Loss on loan modification	**3,052**	-
Loss on fair value of loan	**5,117**	-
	8,169	-

In February 2023, HH No. 2 Limited entered into a sixth amendment agreement to the Loan Facility Agreement dated 5 March 2020 for £250,000,000 with maturity date of 5 March 2045, and agreed to an increased interest rate in exchange of interest modification fee income. In accordance with IFRS 9 B3.3.6 the modified terms are not substantially different to the terms of the original financial liability therefore modified terms of the loan should not result in derecognition of the existing financial liability however the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows, is recognised in the Statement of Comprehensive Income as a loss from modification of £3,052k in the current year. During the year, in February 2023, HH No. 2 Limited provided a loan to its related party. The loss of £5,117k represent the loss on fair value of the loan and is expected to unwound over the period of approximately twelve years.

9. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements:		
In relation to the parent company	**49**	45
In relation to the subsidiary companies in the group	**387**	344
	436	389

Heylo Housing Group Limited

Notes forming part of the consolidated financial statements
for the year ended 30 September 2023 *(continued)*

10 Directors remuneration and staff costs

The Group has no employees other than directors. G Turner received remuneration of £15,833 (2022 - £15,000), N Jopling received remuneration of £40,000 (2022 - £15,000), J Short received remuneration of £36,667 (2022 - £Nil), D Montague received remuneration of £20,000 (2022 – £10,233) and F James Smith received remuneration of £1,442 (2022 - £Nil). Costs were borne by Heylo Housing Group Limited. The other directors did not receive remuneration in respect of their services for Heylo Housing Group Limited. The Directors are considered key management personnel of the Group.

11 Interest receivable and similar income

	2023 £'000	2022 £'000
Bank and other interest receivables	**782**	-

12 Interest payable and similar charges

	2023 £'000	2022 £'000
Finance expenses and amortisation of bond issue costs	**143**	**404**
Interest paid and accrued	**105,306**	**93,808**
	105,449	**94,212**

Finance expenses and amortisation primarily comprise amortisation of bond costs.

Interest paid mainly includes bond interest paid of £6,923,000 (2022 - £6,639,000) relating to HH No 1 New Holdings Limited, £9,786,000 (2022 - £6,108,000) relation to HH No 2 Limited, £2,899,000 (2022 - £2,607,000) relating to HH No 3 Limited, £841,000 (2022 - £750,000) relating to HH No 5 Limited, £316,000 (2022 - £282,000) relating to Heylo Housing Secured Bond Plc and £Nil (2022 - £274,000) for HH No 6 Limited.

Interest accrued mainly also includes bond interest accrued of £ 32,317,000 (2022 - £31,966,000) relating to HH No 1 New Holdings Limited, £27,303,000 (2022 - £5,241,000) relation to HH No 2 Limited, £16,327,000 (2022 - £2,611,000) relating to HH No 3 Limited, £6,220,000 (2022 - £750,000) relating to HH No 5 Limited, £2,363,000 (2022 - £1,281,000) relating to Heylo Housing Secured Bond Plc and £Nil (2022 - £34,000) for HH No 6 Limited.

13 Taxation

	2023 £'000	2022 £'000
Deferred tax		
Current year deferred tax	**6,340**	5,946
Adjustments in respect of prior periods	**(276)**	(12,416)
Changes to tax rates	-	2,041
Total deferred tax	**6,064**	(4,429)
Taxation on profit	**6,064**	(4,429)

Heylo Housing Group Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2023 *(continued)*

13 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 22.01% (2022 - 19%). The differences are explained below:

	2023 £'000	2022 £'000
(Loss)/Profit before tax	**(23,030)**	**32,159**
(Loss)/Profit multiplied by standard rate of corporation tax in UK of 22.01% (2022 - 19%)	**(5,069)**	**6,110**
Effects of:		
Expenses not deductible	**1,336**	**563**
Fixed asset differences	**883**	**-**
Income not taxable and chargeable gains	**-**	**9**
Remeasurement of deferred tax for changes in tax rates	**725**	**2,001**
Deferred tax not recognised	**8,465**	**-**
Other differences	**-**	**(679)**
Adjustment to prior periods	**(276)**	**(12,433)**
Taxation charge for the year	**6,064**	**(4,429)**

Factors that may affect future tax charges

A deferred tax asset of £2,137,523 (2022 - £476,077) and of £7,368,000 (2022 - Nil) measured at 25%, based on rates substantively enacted at the balance sheet date, has not been recognised in relation to the Group's tax losses and corporate interest restrictions respectively. This is on the basis that the Group does not anticipate taxable profits to arise within the immediate future and so does not believe that the utilisation of the losses or reactivation of the restricted interest is probable.

In the Spring Budget 2021, the UK Government announced an increase in the corporation tax rate from 19% to 25% from 1 April 2023. The rate was substantively enacted on 24 May 2021 and as such the deferred tax balances has been calculated in full on temporary differences under the liability method using the rate expected to apply at the time of the reversal of the balance. As such, the deferred tax assets and liabilities have been calculated using a 25% rate.

Heylo Housing Group Limited

Notes forming part of the consolidated financial statements for the year ended 30 September 2023 *(continued)*

14 Investments

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
HH No. 1 Holdings Limited	England & Wales	Ordinary	100%	Investment holding
HH No. 1 New Holdings Limited*	England & Wales	Ordinary	100%	Investment holding
HH No. 1 Limited	England & Wales	Ordinary	100%	Property investment
HH No. 2 Limited*	England & Wales	Ordinary	100%	Property investment
HH No. 3 Limited*	England & Wales	Ordinary	100%	Property investment
Heylo Housing Secured Bonds Plc*	England & Wales	Ordinary	100%	Property investment
Heylo Housing Registered Provider Limited*	England & Wales	Ordinary	100%	Leasing
HH No. 5 Limited*	England & Wales	Ordinary	100%	Property investment
HH No. 6 Limited	England & Wales	Ordinary	100%	Property investment
HH No.6 Holdco Limited*	England & Wales	Ordinary	100%	Investment holding
HHA No. 1 Limited	England & Wales	Ordinary	100%	Dormant company

*Are directly owned subsidiary undertakings of the Company.

The registered office of all subsidiary undertaking is 6 Wellington Place, Fourth Floor, Leeds, England, LS1 4AP.

14 Investments *(continued)*

The HH No.6 Holdco Limited (HH6H) (Company Number 12905853), was incorporated on 25 September 2020 under the name Hamsard 3591 Limited. HH6H changed its name to HH No.6 Holdco Limited on 18 December 2020. The parent undertaking (Heylo Housing Group Limited, Company Number 11104403) has given a guarantee to HH No. 6 Limited (Company Number 11993284), and HH No.6 Holdco Limited (Company Number 12905853) under s479A and as such these subsidiary undertakings exempt from an audit.

Since 11 August 2022, the full principal and interest related to an external loan per the Facility Agreement was repaid by HH No. 6's immediate parent Company HH No. 6 Holdco Limited, and at this point all the investment properties were transferred to other group companies. Since this date, the HH No. 6 remains non-trading.

Heylo Housing Investments RP Ltd Company and Heylo Housing Group RP Ltd Company, were dissolved on 5 April 2022.

Other investments

	2023 Group £'000	2023 Company £'000	2022 Group £'000	2022 Company £'000
Investments in subsidiaries				
At beginning of the year	-	50	-	50
Additions at cost	-	-	-	-
As at end of the year	-	50	-	50

	2023 Group £'000	2023 Company £'000	2022 Group £'000	2022 Company £'000
Other investments				
At beginning of the year	-	5,427	-	4,714
Additions at cost	-	-	-	602
Fair value movement through profit and loss	-	194	-	111
As at end of the year	-	5,621	-	5,427
Total investments	-	5,671	-	5,477

14 Investments *(continued)*

Fair value was calculated based on the fair value of the net assets held by the investee, adjusted for minority interests.

HH No.1 New Holdings Limited acquired 100% interest in HH No.1 Holdings on 18th May 2021. HH No.1 Holdings holds the investment in HH No.1 Limited. The investment was funded through Note Purchase Agreement detailed in note 19. On 18 May 2021, HH No.1 New Holdings Limited entered into a Note Purchase Agreement with investors to acquire £362,500,000 Notes with a maturity date of 2046.

In November 2020, the Heylo Group provided capital contribution to Heylo Housing Registered Provider Limited totalling £50,000 and a further £50,000 in May 2021. In June 2022, there was a further capital contribution capital contribution from the Heylo Group to Heylo Housing Registered Provider Limited of £600,000 in order to cover any disruption to services from the manager for any reason. Share capital has been issued for £700,000 as per filings made to Companies House.

Equity investments in other companies have been elected to be recognised at fair value through profit or loss.

Fair value is determined to be at Level 2 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement and calculated with reference to the net assets of the equity investment with an adjustment for lack of control.

15 Investment property

Group	Investment properties 2023 £'000	Investment properties 2022 £'000
Valuation		
As at beginning of the year	**1,221,176**	989,185
Additions at cost	**149,275**	204,939
Disposals at cost	**(32,740)**	(43,545)
Surplus on revaluation	**57,794**	70,632
Head lease recognised	**(45)**	(27)
Head lease capitalised - net movement	**(8)**	(8)
At 30 September	**1,395,452**	1,221,176

The market value of the Group's investment properties, as determined by the Group's external valuer, differs from the net book value presented in the balance sheet due to the Group presenting head leases separately (see note 2.16). The following table reconciles the net book value of the investment properties to the market value.

	2023 £000	2022 £000
Investment property held at fair value	**1,392,250**	1,217,974
Plus: headlease capitalised	**1,060**	1,060
Plus: Fair value of leasehold interests	**2,142**	2,142
	1,395,452	1,221,176

Included within investment property is leasehold property of £288,575,801 (2022 - £253,718,665) and freehold property of £1,106,876,199 (2022 - £967,458,777).

The gain from changes in fair value of investment properties (net of grant) in the Statement of Comprehensive Income of £66,332,000 (2022 - £107,726,000) is shown net of a release of government grants received of £12,477,000 (2022 - £33,704,000) and government grant expense £3,936,800 (2022 - £2,317,290). £4,821,000 has been repaid during the year.

Proceeds from disposals in cash flow statement are gross of profit/(loss) on disposal of investment properties in statement of changes in comprehensive income.

The fair value of the properties for the periods presented were based on valuations which were performed by Montague Evans, (RICS) Chartered Surveyors, on Existing-Use Value for Social Housing. The established methodology for arriving at an EUV-SH valuation is a discounted cash flow. It allows the valuer to capture explicitly the many variables affecting the letting, management and operatives for each property over the longer term.

During the year there were £6,680,000 (2022 - £5,280,000) property expenses arising from the management of investment property that generated rental income during the year.

15 Investment property *(continued)*

The key inputs and assumptions used relating to the valuation ranged as follows:

	2023	2022
Discount Rates	**6.0% - 7.50%**	5.25 – 6.75%
HPI - House Price Index	**3.75%**	3.75%
RPI - Retail Price Index	**3.5%**	3.5%
Staircasing rate	**1.5% - 1.8%**	1.5 – 1.8%
% of gross rent receivable	**96%**	96%

Discount rates and staircasing rates are considered significant unobservable inputs.

The assumptions around how much staircasing may arise in any one year relates to tenants progressively acquiring a greater share of a property they have acquired on a part buy-part rent agreement with the Group.

Our customers enter into either a 125 year or 990 year shared ownership lease and during FY22, Heylo entered a process of extending some of the leases on 125 years existing between Heylo and our tenants for the Heylo owned shared from 125 years to 990 years. The Pods that acquire residential properties pay for the lease extension costs and these costs are capitalised within Investment Property.

A sensitivity analysis was performed as part of the valuation at 30 September 2023 by flexing HPI and staircasing rates on both the new build and the second-hand parts of the Group's portfolio.

Significant increases/(decreases) in HPI would result in a significantly higher/(lower) fair value of the Group's investment portfolio. As an example, a 0.5% upward change in HPI to 4.25% would lead to a £58.8 million increase in the fair value of the portfolio.

Significant increases/(decreases) in rate of staircasing would result in a significantly lower/(higher) fair value of the Group's investment portfolio. As an example, a 0.5% increase in staircasing range to 2.0- 2.30% could lead to a £60.2 million decrease in the fair value of the same portfolio.

Significant increases/(decreases) in rate of discount rate would result in a significantly lower/(higher) fair value of the Group's investment portfolio. As an example, a 0.5% increase in the discount rate would lead to a £117.7 million decrease in the fair value of the same portfolio.

Significant increases/(decreases) in RPI would result in a significantly higher/(lower) fair value of the Company's investment portfolio. As an example, a 0.5% upward change in RPI to 4.00% would lead to a £75.3 million increase in the fair value of the portfolio.

Significant increases/(decreases) in % of gross rent receivable would result in a significantly lower/(higher) fair value of the Company's investment portfolio. As an example, a 0.5% increase would lead to a £4.6m increase in the fair value of the same portfolio.

The Group has no restrictions on the realisability of its investment properties.

If the investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2023 £'000	2022 £'000
Gross historical cost	**928,568**	825,193

16 Inventories

	2023 £'000	2022 £'000
Shared ownership properties	**9,085**	8,131

An expense of £13,837,000 (2022 - £14,866,000) has been charged to the income statement in the year on first tranche sales. There were no write-downs (2022 - £Nil) or reversal of prior period inventory write-downs (2022 - Nil). No inventories are carried at below cost (2022 - £Nil). The inventory of £9,085,000 (2022 - £8,131,000) is pledged as security for liabilities.

17 Trade and other receivables

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Due after more than one year				
Amounts owed by related parties (see note 27)	**9,475**	**-**	-	-

	Group 2023 £'000	Parent 2023 £'000	Group 2022 £'000	Parent 2022 £'000
Due within one year				
Trade receivables	**1,520**	**-**	2,992	-
Amounts owed by subsidiary undertakings	**-**	**3,109**	-	1,393
Amounts owed by related parties (see note 27)	**36,956**	**110**	20,606	-
Other receivables	**3,266**	**143**	1,964	63
Prepayments	**236**	**-**	90	-
	41,978	**3,362**	25,652	1,456

For amounts due after more than one year, amounts owed by related party are interest free and repayable by 31 December 2034.

Group's other receivables comprise mainly of refunds due from solicitors of £931,000 (2022 - £289,000).

No significant impairment was deemed necessary in the current accounting period (2022 - £Nil) as the Group achieves average rent collections in excess of 99% of rent due, from trade receivables.

Amounts owed by subsidiary undertakings and amounts owed by related parties are interest free, repayable on demand and expected to be paid within one year.

18 Cash at bank and in hand

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Cash at bank and in hand	**23,553**	**259**	25,606	72

The Group Cash at bank figure shown above includes £4,377,000 which is restricted against the loan in a subsidiary as per the loan agreement.

19 Financial instruments

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Equity instruments at fair value through profit or loss				
Equity investment	**-**	**5,621**	-	5,427
Financial assets measured at amortised cost				
Cash	**23,553**	**259**	25,606	72
Trade and other receivables	**5,022**	**143**	4,956	63
Amounts owed by related parties (see note 27)	**46,431**	**110**	20,606	1,393
	75,006	**512**	51,168	1,528
Financial liabilities measured at amortised cost				
Trade and other creditors	**9,870**	**216**	14,817	450
Head lease liabilities	**1,007**	**-**	1,008	-
Amounts owed to related parties (see note 27)	**5,687**	**3,672**	3,250	1,705
Accruals	**520**	**160**	436	160
Borrowings	**1,138,193**	**-**	913,654	-
	1,155,277	**4,048**	933,165	2,315

Financial assets that are measured at amortised cost comprise cash, trade and other receivables and amounts owed by subsidiary undertakings. Financial asset that is measured at fair value through profit and loss comprise of equity investment in HH No. 1 Limited (see note 14). Impairment on trade receivables is included within administrative expenses in the statement of comprehensive income. The impairments recognised in the current financial year was not material.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals, lease liabilities, borrowings and amounts owed to subsidiary undertakings. The total interest expense recognised in these financial statements measured at amortised cost is included in Note 13.

Using the level of the index at the reporting date, minimum cash outflows in relation to interest payments and principal payments and repayment of loans at maturity are expected to be as follows:

19 Financial instruments (continued)

	1 year £000	2-3 years £000	4-5 years £000	5 years and onwards £000	Maturity £000
Period					
Current year	25,517	55,110	93,109	1,285,166	1,210,804
Prior year	23,562	55,586	68,296	1,118,963	883,512

Applying a 1% increase inflation, minimum cash outflows in relation to interest payments and principal payments and repayment of loans at maturity are expected to be as follows:

	1 year £000	2-3 years £000	4-5 years £000	5 years and onwards £000	Maturity £000
Period					
Current year	25,555	53,347	89,657	1,461,601	1,453,759
Prior year	23,864	56,836	70,650	1,427,444	896,880

All property investment companies (Pods) are ringfenced from each other and has granted security over its property portfolio in support of its funding. The Group's borrowings are repayable on the relevant maturity of the bonds.

The HH No. 3 Limited has issued index linked bonds with repayment date of 30 November 2068 (the "Bonds"). HH No. 3 Limited sold £Nil (2022 - £Nil) of Bonds to investors. The Bonds are indexed to an LPI formula, calculated by reference to RPI with a base index figure from December 2018. The Bonds have asset cover and debt service cover covenants and these were in compliance at period end and at the time of approval of the accounts. The Bonds are secured on the properties of HH No. 3 Limited.

On each interest payment date (in March and September), the amount of the Bonds increases in accordance with the LPI Index and the 1.750% interest rate is payable on the indexed amount. During the year, increases in accordance with the LPI Index were £16,327,000 (2022 - £16,319,238) and the interest payable was £2,910,000 (2022 - £2,610,595), giving a total expense in the period of £19,237,000 (2022 - £18,926,833) shown as interest costs in the Group's Statement of Comprehensive Income.

Only the £2,910,000 (2022 - £2,610,595) interest was payable and included in the calculation of the debt service cover ratio. The net of £16,327,000 (2022 - £16,319,238) increase due to the LPI Index was added to the instalment payment of £1,981,665 (2022 - £1,730,485) to give the closing balance of £167,240,307 (2022 - £152,895,288) and this figure was tested against the £229,680,000 (2022 - £229,004,157) property valuation in the calculation of the asset cover ratio. In respect of the index linked Bonds issued pursuant to the Note Purchase Agreement with investors of HH No. 3 Limited, the Directors have assessed that the fair value of such Notes should be based on their par value given the positive variance between the contracted fixed coupon and the prevailing low interest environment in accordance with Level 2 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement.

During the year ended 30 September 2019, Heylo Housing Secured Bond Plc (HHSB) issued index linked bonds with repayment date of 30 September 2028 (the "Bonds"). HHSB sold £15,424,400 of Bonds to investors and retains £4,575,600. The Bonds are listed on the Main Market of the London Stock Exchange and are indexed to an LPI formula, calculated by reference to RPI with a base index figure from February 2018. The Bonds have asset cover and debt service cover covenants and these were in compliance at period end and at the time of approval of the accounts. The Bonds are secured on the properties of HHSB.

On each interest payment date (in March and September), the amount of the Bonds increases in accordance with the LPI Index and the 1.625% interest rate is payable on the indexed amount. During the year, increases in accordance with the LPI Index were £2,363,000 (2022 - £1,281,212) and the interest payable was £316,000 (2022 - £281,724), giving a total expense in the period of £2,679,000 (2022 - £1,562,936) shown as interest

19 Financial instruments (continued)

costs in the Group's Statement of Comprehensive Income. Only the £316,000 (2022 - £281,724) interest was payable and included in the calculation of the debt service cover ratio.

The £2,363,000 (2022 - £1,281,212) increase due to the LPI Index was added to the opening balance £17,620,788 (2022 - £16,339,576) to give the closing balance of £19,983,528 (2022 - £17,620,788) and this figure was tested against the £22,651,000 (2022 - £20,263,057) property valuation in the calculation of the asset cover ratio. As at 30 September 2023, the fair value of the Secured 1.625% inflation linked 10 year Sterling Bond was £13,192,489 (2022 - £17,514,406). The fair value has been calculated with reference to its published price quotation on the London Stock Exchange where the bonds were trading at 85.53 pence (2022 - 113.55 pence). The fair value is determined in accordance with Level 1 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement.

On 5 March 2020, the HH No. 2 Limited entered into a Loan Facility Agreement for £250,000,000 with a maturity date of 5 March 2045. During the current financial year £Nil (2022 - £150,000,000) of Loan Notes were issued. On 14 October 2021, HH No.2 Limited entered into a further facility agreement amounting to £450,000,000.

Interest is payable at 2.30% per annum. The loan of £442,287,000 (2022 - £289,984,000) is stated net of capitalised issue costs of £1,351,000 (2022 - £1,413,000). The facility is secured on the investment properties of HH No. 2 Limited. During the year, interest payable was £9,786,000 (2022 - £5,241,000) and increases in accordance with the LPI index were £27,303,000 (2022 - £22,284,000), giving a total expense of £37,089,000 (2022 - £27,525,000) in the financial year shown as interest costs in the Group's Statement of Comprehensive Income. In respect of the index linked Notes issued pursuant to the Loan Facility Agreement with investors of HH No. 2 Limited, the Directors have assessed that the fair value of such Notes should be based on their par value given the positive variance between the contracted fixed coupon and the prevailing low interest environment in accordance with Level 2 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement.

On 24 July 2020, the HH No. 5 Limited entered into a Note Purchase Agreement with investors where the investors agreed to acquire £50,000,000 Bond Notes by 20 March 2021. During the current financial year £Nil (2022 - £Nil) of Loan Notes were issued. This Note Purchase Agreement has a maturity date of 2045. Interest is payable at 1.34% per annum.

On each interest payment date (in March and September), the amount of the Bonds increases in accordance with the LPI Index and the 1.34% interest rate is payable on the indexed amount. During the year, increases in accordance with the LPI Index were £6,220,094 (2022 - £6,129,211) and the interest payable was £840,530 (2022 - £750,316), giving a total expense in the period of £7,060,624 (2022 - £6,879,527) shown as interest costs in the Group's Statement of Comprehensive Income. In respect of the index linked Bonds issued pursuant to the Note Purchase Agreement with investors of HH No. 5 Limited, the Directors have assessed that the fair value of such Notes should be based on their par value given the positive variance between the contracted fixed coupon and the prevailing low interest environment in accordance with Level 2 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement.

HH No. 1 New Holdings Limited (HH1NH) has issued index linked bond notes with repayment date of 18 May 2046 (the "Bonds"). The Company sold £Nil (2022 - £Nil) of Bonds to investors. £262,500,000 Bonds are indexed to an LPI formula, calculated by reference to RPI with a base index figure from May 2021. The Bonds have asset cover and debt service cover covenants and these were in compliance at period end and at the time of approval of the accounts. The Bonds are secured on the properties of underlying subsidiary HH No.1. On each interest payment date (in March and September), the amount of the Bonds increases in accordance with the LPI Index and the 0.875% interest rate is payable on the indexed amount. During the year, increases in accordance with the LPI Index were £32,220,678 (2022 - £30,712,150) and the interest payable was £6,923,110 (2022 - £7,893,278), giving a total expense in the period of £39,143,788 (2022 - £38,605,428) shown as interest costs in the Group's Statement of Comprehensive Income. Only the £6,923,110 (2022 - £7,893,278) interest was payable and included in the calculation of the debt service cover ratio. £32,220,678 (2022 - £30,712,159) increase due to the LPI Index was added to the instalment payment of £1,567,894 (2022 - £1,254,228) to give the closing balance of £431,507,138 (2022 - £400,854,339) and this figure was tested

19 Financial instruments (continued)

against the £514,528,561 (2022 - £499,420,000) property valuation in underlying subsidiary, HH No.1 in the calculation of the asset cover ratio. In respect of the index linked Notes issued pursuant to the Note Purchase Agreement with investors of HH No. 1 New Holdings Limited, the Directors have assessed that the fair value of such Bonds should be based on their par value given the positive variance between the contracted fixed coupon and the prevailing low interest environment in accordance with Level 2 of the fair value hierarchy outlined in IFRS 13 Fair Value Measurement.

The Board of Directors review and agrees policies for managing each of these risks as summarised below:

Key Risks to HHGL	Key Mitigants working with HHRP and ResiManagement
Cyber security	• All companies face the threat of cybercrime, and HHGL takes the security of customer data seriously. • IT services are provided by ResiManagement, who have Cyber Essentials accreditation and have renewed ISO27001.
Failure to take adequate action to safeguard the health and safety of our shared owners	• During the year, detailed reporting of property compliance was provided to Audit and Risk Committee and the Board, including specifically fire risks. Properties are owned by the investment companies under Heylo Housing Group Limited, mostly under leasehold tenure. • One freehold property had been assessed as requiring cladding works which have now been completed and an EWS1 form issued during the year. • The majority of the portfolio is single family houses which have a lower risk profile, but detailed reporting is regularly produced for fire safety, legionella, electricity, gas, gates, lifts and asbestos-related risks. A risk matrix has been developed to identify the highest risk buildings together with key risk indicators. • The team at ResiManagement continues to undertake relevant training in order to maintain and develop their skillset.
Failure to meet compliance with Regulator of Social Housing Standards	• HHRP was assessed as G3/V3 (meaning non-compliant for both governance and financial viability) by the Regulator of Social Housing in December 2022 following its first In-Depth Assessment. An extensive work programme was developed and has been followed to address identified gaps. • The Board of HHRP has continued to engage in detailed discussions with the Regulator in order to address areas identified and is fully-focused on achieving compliance at the earliest available opportunity.
Failure to anticipate and adapt to changes in the political, legislative, and regulatory landscape which negatively impacts our ability to grow.	• We have a transparent and regular dialogue with the key stakeholders including – Regulator of Social Housing, Homes England, and Department of Levelling Up, Housing & Communities – to monitor potential changes in policies and approach. • We participate in industry associations, attend Government briefings, and work closely with lobbying groups. • We have considered the impact in our financial plan of potential legislative changes.

19 Financial instruments (continued)

Key Risks to HHGL	Key Mitigants working with HHRP and ResiManagement
Rising living costs negatively impact shared owners	• The Audit and Risk Committee has continued to monitor rental performance providing assurance to the HHGL Board, with rents performing in line with budget over the year. • Overall collection rates have fallen slightly through the year to 98% from 99% in the prior year, and the number of customers in arrears or on repayment plans has been gradually increasing. • A specific arrears management team is in place to maintain customer contact journeys and instigate proactive dialogue with customers in arrears, but legal proceedings have been commenced for a small number of arrears cases.
External economic factors negatively impact the financial position of HHGL, limiting its ability to raise further funds to support growth; and housebuilding partners impacting their ability to deliver homes.	• The investment pods only commit to purchases when confident that funding is in place. • Development and sales risk is mostly borne by housebuilders. • Changes to income from rents and interest payable are both related to RPI movements. • During the year, pod covenant compliance was reported to HHGL Board members. • Comprehensive stress testing has been carried out throughout the year and again after year end with assurance obtained from external independent advisors.
Failure of the service provider, Resimanagement, to embed a robust operating environment in a growing business resulting in poor customer service; in failures to satisfy regulatory and statutory reporting obligations; financial loss and/or reputational damage.	• HHRP Board reviews ResiManagement performance against required service levels each quarter. • ResiManagement has developed a technology roadmap to support growth, provided for within the financial plan, as well as growth in the assurance and risk management functions to oversee the development of the business. • There is a programme governance capability which regularly reports to the HHGL Board. • ResiManagement has a strong culture of developing staff and training them on our regulatory and statutory obligations. • Greater focus is being placed on third parties providing services to customers to enhance performance.

20 Trade and other payables: Amounts falling due within one year

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Trade payables	**1,180**	**120**	1,244	449
Amounts owed to subsidiary undertakings	**-**	**126**	-	121
Amounts owed to related parties (see note 27)	**5,687**	**3,672**	3,250	1,584
Other creditors	**8,654**	**60**	13,573	1
Other tax and social security	**46**	**46**	114	108
Lease liabilities	**42**	**-**	-	-
Accruals	**520**	**160**	436	160
	16,129	**4,184**	18,617	2,423

Amounts owed to subsidiary undertakings are interest free and repayable on demand.

Amounts owed to related parties relate to management fees totalling £1,614,083 (2022 - £3,250,000) and other creditors comprise primarily of deferred payments amounting to £4,009,059 (2022 - £10,445,000) due to in relation to property acquisitions due to house builders and government grant liabilities of £1,974,465 (2022 - £2,972,000).

21 Loans and other payables: Amounts falling due after more than one year

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Bond notes	**1,125,338**	**-**	919,568	-
Less: issue costs	**(5,522)**	**-**	(5,914)	-
Lease liabilities	**965**	**-**	1,008	-
Long term funding facility	**-**	**-**	-	-
Other long-term liabilities	**18,377**	**-**	-	-
	1,139,158	**-**	914,662	-

Please refer to note 19 for further details of the bonds.

The *amount of undrawn borrowing facilities of £300m available* in HH No. 2 Limited at the balance sheet reporting date available in the future for the operating activities and investment property purchase. The funding is restricted to make any other distributions in line with the Facility Agreements (whether by way of redemption, acquisition or otherwise) in respect of its share capital.

22 Deferred taxation

Group	**2023**	**2022**
	£'000	**£'000**
As at the beginning of the year	**99,213**	103,642
Charged to the profit or loss	**6,064**	(4,429)
As at the end of the year	**105,277**	99,213

Deferred taxation is made up of the below:

	Group 2023 £'000	**Company 2023 £'000**	**Group 2022 £'000**	**Company 2022 £'000**
Capital gains	**150,465**		130,534	
Interest carried forward	**(45,188)**		(31,321)	
Total deferred taxation	**105,277**	**-**	99,213	-

23 Share capital

Group and company	**2023**	**2022**
	£	**£**
Allotted, called up and fully paid		
As at the beginning of the year	**60**	60
Movement during the year	**-**	-
As the end of the year	**60**	60

The allotted, called up and fully paid share capital comprises 6,002 ordinary shares of £0.01 each.

24 Reserves

Share capital
Called up share capital reserve represents the nominal value of the shares issued.

Profit and loss account
Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments excluding non-distributable reserves. Please see statement of changes in equity.

Non-distributable reserves
Non-distributable reserves represents the profit or loss for the period which is not distributable. This mainly relates to investment property revaluations and the associated deferred tax, the revaluation of equity investments and government grants.

25 Analysis of net debt

	At 1 October 2022 £000	Cash flows £000	Interest on bonds £000	Amortisation of capitalised issue costs and acquisitions £000	Acquisitions during the period £000	At 30 September 2023 £000
Cash at bank and in hand	**25,606**	**(2,053)**	**-**	**-**	**-**	**23,553**
Debt due after 1 year	**(914,662)**	**(119,047)**	**(105,306)**	**(143)**	**-**	**(1,139,158)**
	(889,056)	**(121,100)**	**(105,306)**	**(143)**	**-**	**(1,115,605)**

	At 1 October 2021 £000	Cash flows £000	Interest on bonds £000	Amortisation of capitalised issue costs and acquisitions £000	Acquisitions during the period £000	At 30 September 2022 £000
Cash at bank and in hand	52,768	(27,162)	-	-	-	25,606
Debt due after 1 year	(733,102)	(87,348)	(93,808)	(404)	-	(914,662)
	(680,334)	(114,510)	(93,808)	(404)	-	(889,056)

26 Contingent liabilities and commitments

The Group has received government grant funding of £142,168,029 (2022 - £87,627,000) from Homes England to support the delivery of shared ownership homes.

In some circumstances, typically when a Shared Owner staircases, there arises an obligation to repay the grant to the relevant government body. This is treated as a contingent liability until the conditions for repayment are expected to apply, in which case the amount repayable is recognised as a liability on the Statement of Financial Position and deducted from the measurement of any gain on the staircase transaction. As at the year-end date liabilities of £1,974,465 (2022 - £2,927,258) were recognised in the Statement of Financial Position. £5,284,268 has been repaid to date.

27 Related party transactions

The Group has entered into a long-term management agreement with ResiManagement Limited, a company with common shareholders and directors to the Group. Under the management agreement the Group pays fees to ResiManagement Limited for the provision of asset sourcing and management services to the Group. ResiManagement Limited is a related party and had the following transactions in the period:

Group	2023 £'000	2022 £'000
Professional services	**6,680**	5,280
Property acquisition costs	**7,775**	2,197
Amounts owed by ResiManagement	**46,431**	20,606
Amounts owed to ResiManagement	**5,687**	3,250

Amounts paid to Outra Limited for advertising and reporting maintenance total £185,910 (2022 £29,744). Outra Limited is considered related parties as they have a majority shareholder in common. All balances have been settled at the year end.

Interests in subsidiaries are set out in Note 14.

28 Controlling party

The Company is wholly owned by Manifesto Technologies Limited, a Company incorporated and registered in the United Kingdom.

The largest group in which the Company is consolidated is that headed by Manifesto Technologies Limited. The consolidated accounts of Manifesto Technologies Limited are available to the public from its registered office, Squire Patton Boggs (Uk) llp, Rutland House, 148 Edmund Street, Birmingham, England, B3 2JR.

G P C Mackay is the ultimate controlling party.