

RHP FINANCE PLC

Report and Financial Statements

For the year ended 31 March 2024

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STATUTORY INFORMATION

Company registration number 9331195

Directors
Corinna Bishopp
Sarah Thomas (Chair)
Christopher Ling
Antonio Shabbir

Secretary
Corinna Bishopp (resigned 6 August 2024)
Argiri Papathos (appointed 6 August 2024)

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3 Bunhill Row
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STRATEGIC REPORT

The Directors submit their Strategic Report, Report of the Directors and the Audited Financial Statements for the year ended 31 March 2024.

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

Business review and principal activity

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

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

Of the £175m raised, £140m was issued to external investors realising proceeds of £138.6m. The entire proceeds were then lent to RHP under a loan agreement, whose terms mirror those of the bond.

The £35m retained element was sold on 17 September 2019 by way of a forward purchase agreement, with proceeds of £39.5m realised on 17 September 2020.

On 8 September 2020, the Company executed a £100m tap of the 2048 Bond. Of the £100m, £75m was issued to external investors with £25m being retained for future issue. The £75m sold raised proceeds of £97.1m, giving an all-in yield of 1.787%. The fixed coupon remains at 3.25% payable in bi-annual instalments.

There was no capital market activity for the year ended 31 March 2024 and £25m of bonds are still retained.

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

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

Section 172 statement

The company was formed for the sole purpose of raising debt finance for the Richmond Housing Partnership Group. It is a wholly owned subsidiary and does not have any employees. The directors, accordingly, do not consider that the interests of the company’s employees, the impact of the company’s operations on the community and the environment or the need to act fairly between members of the company are relevant to the proper discharge of their duty under section 172. Each of these factors is considered by the wider group. Given the purpose of the company, the relevant stakeholder groups are therefore the investors in the listed debt and the parent entity, RHP.

STRATEGIC REPORT (continued)

Section 172 statement (continued)

The Board of RHP Finance Plc consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of those stakeholders, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the need to foster the company's business relationships with suppliers, customers and others, and
- c) the desirability of the company maintaining a reputation for high standards of business conduct.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2024.

Board decision

The Board considered and agreed the long-term strategy for the sole customer, RHP.

The Board considered and agreed the RHP group business plan and cash flow forecasts.

Engaging with our investors

Consideration of appropriate funding requirements including sale of the retained element of the bond

Consideration

A robust strategy, supported by a well-considered long term financial forecast is the foundation for maintaining the trust of all our external stakeholders.

The Board monitor the operating surplus and cash flow forecasts of RHP, as the sole customer, and how they expect to perform against their external covenants. They also consider in detail the Group's stress tests and mitigation plans against potential risks.

We believe that communication with our investors is key and publish investor relations reports and engage with our investors when appropriate.

The Board regularly consider future funding requirements of the Group in conjunction with their review of the business plan and forecasts and external market environment and concluded no requirement to sell the retained bond at this time.

STRATEGIC REPORT (continued)

Going concern

The company is reliant on its sole customer, RHP, servicing its debt to enable it to make interest payments. In making its assessment of the Company's going concern status it therefore reviews the RHP board's assessment of its going concern status. Key points are set out below.

The RHP board reviews RHP Group's business plan at least every 6 months and have been content that these plans were affordable and that the accounts should be prepared on a going concern basis.

Given the ongoing economic challenges faced by the United Kingdom and particularly the social housing sector, coupled with inflation and interest rate challenges, the Executive Team and Board have been reviewing revised financial plans for the next five years more frequently reflecting updated economic information to ensure RHP Group can remain a going concern. Our Board's attention to these forecasts and liquidity levels ensured appropriate scrutiny in these difficult times. Our modelling has included significant reductions in rent collected, further, more extreme inflation on fuel and other supplies, reversals in government rent inflation legislation, significant cash requirements for failing developments or other supplier support and substantial slowdowns in development and sales programmes.

This additional scrutiny has delivered some excellent lessons for the organisation and has proven our financial resilience under more extreme conditions.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling £127m, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

Principal risks and uncertainties

The principal risk facing the Company is the inability to meet its obligations in respect of the 2048 Bond Trust Deed. Various security and contractual arrangements, as described in note 11 to these financial statements, are in place to mitigate these risks.

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

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

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Management of these risks is controlled by:

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

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

Interest rate risk

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

Financial risk management objectives

The Directors' approach to financial risk management objectives and exposures have been set out in Note 10 of these financial statements.

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

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

Compliance

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

This report was approved by the Board on 12 August 2024 and signed on its behalf by



Argiri Papathos
Secretary

REPORT OF THE DIRECTORS

Results and dividends

The profit for the period amounted to £nil (2023: £nil).

The Directors do not recommend payment of a dividend in respect of the period ending 31 March 2024 (2023: £nil).

Future developments

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

Directors and their interests

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

Corinna Bishopp
Sarah Thomas (appointed 1 April 2023)
Christopher Ling
Antonio Shabbir

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- Prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business and model strategy.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties it faces.

Going Concern

The company's business activities, its principal risks and uncertainties and factors likely to affect its future position are set out within the Strategic Report. The Board of RHP Finance Plc have reviewed RHP Group's financial plans presented by RHP Group and are satisfied that as RHP Group can be confident about its future as a going concern, the Board of RHP Finance Plc are able to conclude that RHP Finance Plc accounts can also be prepared on a going concern basis.

REPORT OF THE DIRECTORS (continued)

Statement of Directors' responsibilities (continued)

Corporate governance and audit committee

Due to the Company's limited scope and nature of its activities, the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee.

Signed on behalf of the Board of Directors

A handwritten signature in dark ink, appearing to be 'S. Thomas', written over a light blue rectangular stamp.

Sarah Thomas
Director

12 August 2024

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

Opinion

We have audited the financial statements of RHP Finance Plc (the 'company') for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its net result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's going concern assessment process, and discussing with management to ensure all key factors were considered in their assessment.
- Obtaining management's going concern assessment, including the Group's business plan with scenario and stress testing up to 2029, which covers a period exceeding more than twelve months from the date on which the financial statements were approved by the directors.
- Reviewing the factors and assumptions included in the Group's cash flow forecast. We considered the appropriateness of the assumptions and methods used to calculate the forecasts and determined that the assumptions and methods utilised were appropriate to be able to make an assessment for the company.

- Reviewing the company's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We determined overall materiality for the financial statements as a whole to be £145,000 using 2% of revenue as a basis. Revenue is used as the entity on-lends funds raised to its parent and therefore the revenue recognised from this activity is the area that will have the greatest impact on decisions made by the users of the financial statements.

We used a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is based on the overall materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at 60% of overall materiality for the financial statements as a whole at £87,000 for the company.

We agreed with the directors that we would report to the Board all audit differences in excess of 5% of materiality for the financial statements as a whole at £7,250 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the company's activities, the key subjective judgements made by the directors, for example in respect of significant accounting estimates that involved making assumptions, and considering future events that are inherently uncertain, and the overall control environment.

Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified,

including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
<p>Recoverability of amounts owed by RHP through an intercompany account</p> <p>The company issued a listed bond for £175m in February 2015. The proceeds received were then onward lent, under a secured loan agreement, to its parent, Richmond Housing Partnership Limited ("RHP").</p> <p>The company's obligations to meet interest and principal payments in accordance with the bond deed are dependent upon the future viability of the parent.</p> <p>As a result, the assessment of recoverability of amount owed by RHP through the intercompany account includes judgement exercised by management.</p> <p>Refer to the accounting policy on page 19 and Notes 6 and 7 of the financial statements.</p>	<p>Our audit work included:</p> <ul style="list-style-type: none"> • Reviewing the loan agreement entered into with RHP; • Considering the work performed by management in assessing the recoverability of the intercompany debt including how management has assessed the viability of the parent and its consideration of going concern status; • Reviewing the long term cash flow forecasts and business plan of RHP; and • Reviewing the Group's financial covenant calculations to assess if the entity is compliant. <p>Based on the audit procedures performed, we did not identify indications of a material impairment with regard to the recoverability of the intercompany debt.</p>

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of our cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006, Financial Reporting Standard 102, listing rules pertaining to the London Stock Exchange, obligations from the bond deed and tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there is potential for management bias in the judgement made around the recoverability of debtors. We addressed this by challenging the assumptions and judgements made by management when auditing short-term and long-term recoverability of debtor balances.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; and reviewing accounting estimates for evidence of bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were appointed by the board on 29 January 2024 to audit the financial statements for the period ending 31 March 2024 and subsequent financial periods. This is our first year of appointment.

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

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of our report

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



James Wilkinson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

12 August 2024

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2024 £'000	2023 £'000
Revenue	3	7,254	7,254
Interest payable and similar charges	4	(7,254)	(7,254)
Profit on ordinary activities before taxation		<hr/> -	<hr/> -
Taxation	5	-	-
Profit after taxation and total comprehensive income for the year		<hr/> - <hr/>	<hr/> - <hr/>

The above relates wholly to continuing operations.

The notes on pages 19 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2024 £'000	2023 £'000
Fixed asset investment	6	270,748	271,619
Current assets			
Debtors – amount falling due within one year	7	1,224	1,224
Cash at bank and in hand		13	13
		<u>1,237</u>	<u>1,237</u>
Creditors – amounts falling due within one year	8	(1,224)	(1,224)
		<u></u>	<u></u>
Net Current Assets		13	13
Total assets less current liabilities		270,761	271,632
Creditors – amounts falling due after more than one year	9	(270,748)	(271,619)
		<u></u>	<u></u>
Net Assets		<u>13</u>	<u>13</u>
Called-up share capital	12	13	13
Profit and loss account		-	-
		<u></u>	<u></u>
Total shareholder's funds		<u>13</u>	<u>13</u>

The notes on pages 19 to 28 form part of these financial statements.

These financial statements were approved and authorised by the Directors for issue on 12 August 2024

Signed on behalf of the Board of Directors



Sarah Thomas
Director

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £'000	Profit and loss account £'000	Total Equity £'000
Balance at 1 April 2022	13	-	13
Total Comprehensive Income	-	-	-
Balance as at 31 March 2023	13	-	13
Total Comprehensive Income	-	-	-
Balance as at 31 March 2024	13	-	13

The notes on pages 19 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Company information

RHP Finance Plc is a public limited company, limited by shares and incorporated in England and Wales under the Companies Act 2006. Its registered office is 8 Waldegrave Road, Teddington, London TW11 8GT.

Basis of preparation

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

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

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

- The requirement to present a statement of cash flows and related notes. A statement of cash flows is prepared by the parent, RHP, and is publicly available in its consolidated financial statements.

Revenue

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

Taxation

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

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Principal Accounting Policies (continued)

Financial assets (continued)

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

Financial liabilities

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

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

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

Effective interest rate method

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

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

Loans and other financial instruments

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Principal Accounting Policies (continued)

Loans and other financial instruments (continued)

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

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

Significant judgements and estimates

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

In assessing the recoverability of the intercompany loan the Board has gained assurance from the long term financial plan of the Group that the parent company is able to service and repay the loan facility.

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

Going concern

The company is reliant on its sole customer, RHP, servicing its debt to enable it to make interest payments. In making its assessment of the Company's going concern status it therefore reviews the RHP board's assessment of its going concern status. Key points are set out below.

The RHP Board reviews RHP Group's business plan at least every 6 months and have been content that these plans were affordable and that the accounts should be prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Principal Accounting Policies (continued)

Going concern (continued)

Given the ongoing economic challenges faced by the United Kingdom and particularly the social housing sector, coupled with inflation and interest rate challenges, the Executive Team and Board have been reviewing revised financial plans for the next five years more frequently reflecting updated economic information to ensure RHP Group can remain a going concern. Our Board's attention to these forecasts and liquidity levels ensured appropriate scrutiny in these difficult times. Our modelling has included significant reductions in rent collected, further, more extreme inflation on fuel and other supplies, reversals in government rent inflation legislation, significant cash requirements for failing developments or other supplier support and substantial slowdowns in development and sales programmes.

This additional scrutiny has delivered some excellent lessons for the organisation and has proven our financial resilience under more extreme conditions.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, totalling £127m, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

2. Administrative Expenses

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

Audit fees of £5k and other administrative expenses are borne by RHP, the immediate and ultimate parent undertaking.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Interest receivable and similar income

	2024	2023
	£'000	£'000
Interest receivable from RHP	<u>7,254</u>	<u>7,254</u>

4. Interest payable and similar charges

	2024	2023
	£'000	£'000
Interest payable on the 2048 Bond	<u>7,254</u>	<u>7,254</u>

5. Taxation

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

6. Fixed asset investment

	2024	2023
	£'000	£'000
Loan receivables owed by RHP through intercompany account	<u>270,748</u>	<u>271,619</u>

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

Of the £175m raised, £140m was issued to external investors, realising proceeds of £138.6m. The entire proceeds were on-lent to RHP under the Bond Loan Agreement, whose terms mirror those of the bond. £140m reflects the premium on issue and the premium will be amortised over the life of the bond. The remaining £35m was sold by forward purchase agreement on 17 September 2019 with the actual proceeds of £39.5m realised on 17 September 2020.

On 8 September 2020, the Company executed a £100m tap of the 2048 Bond. Of the £100m, £75m was issued to external investors with £25m being retained for future issue. The £75m sold raised proceeds of £97.1m, giving an all-in yield of 1.787%.

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

The amounts stated above are all due in more than one year (refer to Note 7 for amounts due within one year).

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Debtors – amount falling due within one year

	2024	2023
	£'000	£'000
Amounts owed by RHP through intercompany account	<u>1,224</u>	<u>1,224</u>

The figure above represents 55 days of accrued interest to 31 March 2024.

8. Creditors – amount falling due within one year

	2024	2023
	£'000	£'000
Amounts due to 2048 Bond investors	<u>1,224</u>	<u>1,224</u>

The figure above represents 55 days of accrued interest to 31 March 2024.

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

	2024	2023
	£'000	£'000
Amounts due to 2048 Bond investors	<u>270,748</u>	<u>271,619</u>

The above includes the premium on issue; the nominal value is £250m.

Under the terms of the Bond Loan Agreement, RHP is committed to repay the loan receivables in full by maturity date in 10 bi-annual instalments starting on the 28th anniversary of the Bond to enable the Company to reimburse the bond holders. The Bond is secured against housing assets of RHP.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments

The Company's financial instruments are summarised as follows:

Financial assets: classed as loans and receivables (amortised cost)	2024 £'000	2023 £'000
Loans to ultimate parent undertaking	270,748	271,619
Debtors	1,224	1,224
Cash and cash equivalents	13	13
	<hr/>	<hr/>
	271,985	272,856

Financial liabilities: classed as basic financial liabilities (amortised cost)	2024 £'000	2023 £'000
Other creditors (2048 bond coupon – see note 9)	270,748	271,619
Other liabilities (accrued interest – see note 8)	1,224	1,224
	<hr/>	<hr/>
	271,972	272,843

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

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

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

Credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments (continued)

Credit risk (continued)

The maximum credit risk currently faced by the Company is £250m being the total amount of funds raised from external investors by the 2048 Bond issuance and on lent to RHP.

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

Liquidity risk

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

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

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
2024					
Amounts due to 2048 Bond investors	-	7,254	29,017	386,749	423,020
Amounts due to RHP	13	-	-	-	13
	<u>13</u>	<u>7,254</u>	<u>29,017</u>	<u>386,749</u>	<u>423,033</u>
	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
2023					
Amounts due to 2048 Bond investors	-	7,254	29,017	394,003	430,274
Amounts due to RHP	13	-	-	-	13
	<u>13</u>	<u>7,254</u>	<u>29,017</u>	<u>386,749</u>	<u>430,287</u>

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

Interest rate risk

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

There are no other interest-bearing assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments (continued)

Interest rate risk (continued)

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

	2024 £'000	2023 £'000
Fixed rate borrowings	270,748	271,619
	<hr/>	<hr/>
	<u>270,748</u>	<u>271,619</u>

The 2048 Bond pays a fixed coupon of 3.25%. £250m of the £275m 2048 Bond has been issued. The remaining £25m has been retained for future issue.

Foreign currency risk

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

11. Capital risk management

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

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

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

	2024 £'000	2023 £'000
Financial assets:		
classed as loans and receivables (amortised cost)		
Fixed asset investment	270,748	271,619
Cash and cash equivalents	13	13
Equity	13	13
	<hr/>	<hr/>
Total Capital	<u>270,774</u>	<u>271,645</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Capital risk management (continued)

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

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

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

12. Called up share capital

	2024 £'000	2023 £'000
Authorised		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allocated, issued and paid		
50,000 ordinary shares of £1 part paid £0.25	<u>13</u>	<u>13</u>

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

13. Related party transactions

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

14. Ultimate parent undertaking

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