



Retail Charity Bonds plc
Financial Statements
for the period ended 31 August 2015

Registered number: 8940313

Retail Charity Bonds plc

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**Retail Charity Bonds plc
Reference and Administrative Details
for the period ended 31 August 2015**

DIRECTORS: John Tattersall (Chairman)
Gordon D'Silva
Arvinda Gohil
Tom Hackett (Chairman, Review Committee)
Tim Jones
Geetha Rabindrakumar
Clare Thompson
Philip Wright (Chairman, Audit Committee)

SECRETARY: Cargil Management Services Limited
22 Melton Street
London
NW1 2BW

REGISTERED OFFICE: 27/28 Eastcastle Street
London
W1W 8DH

COMPANY NUMBER: 8940313

AUDITOR: RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

PRINCIPAL BANKERS: National Westminster Bank plc
135 Bishopsgate
London
EC2M 3UR

SOLICITORS Linklaters LLP
One Silk Street
London
EC2Y 8HQ

**Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015**

Summary and highlights

Results

The Directors present their Annual Report and audited financial statements for the period from incorporation on 14 March 2014 to 31 August 2015.

The results of Retail Charity Bonds plc (the "Company") are set out on page 11. The articles of the Company do not permit the payment of a dividend.

Key performance indicators

The Company has no specific key performance indicators. It is monitored against the original performance model and it is thus expected to break even.

Chairman's statement

The Directors of Retail Charity Bonds plc are pleased to have approved the issue of two bonds in this first period, for Golden Lane Housing and for Hightown Housing Association. Each member of the Board gives his or her time pro bono in order to support this important initiative and provide charities with access to the retail bond market, and we are grateful to all of them for their contribution.

Performance this period has been in line with expectations and we look forward to working with further charities in the coming year.

Business model and strategy

The Company is a special purpose vehicle created by Allia Limited, a national charity and social finance specialist. The Company has been established for the purpose of issuing bonds and lending the proceeds to UK charities to enable them to deliver their charitable mission. It will not engage in any other business activity.

The board has established two board committees:

1. The Review Committee is responsible for reviewing all loans to be made by the Company, recommending them to the Board for approval, considering the risk disclosures that will be required in relation to the charity and for recommending to the Board for approval any bond issues and the particular disclosures to be made in the relevant prospectus.
2. The Audit Committee is responsible for the Company's relationship with its external auditors, including advising the board on selection and remuneration, and for reviewing the operation of its internal controls as carried out on its behalf by Allia Bond Services Limited ("Allia BSL").

On 29 July 2014 the Company issued £11,000,000 4.375% bonds due 2021 secured on a loan to Golden Lane Housing Limited ("GLH") (a wholly owned subsidiary of the Royal Mencap Society). The cost of issuing the bond was £129,000 leaving a net balance of £10,871,000, which was advanced to GLH through a security trust arrangement with Prudential Trustee Company Limited.

Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.5753%. GLH is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

On 30 April 2015, the Company issued £27,000,000 4.40% bonds due 2025 secured on a loan to Hightown Housing Association Limited ("Hightown"). The cost of issuing the bond was £227,000 leaving a net balance of £26,773,000, which was advanced to Hightown through a security trust arrangement with Prudential Trustee Company Limited.

The costs of issue are amortised over the term of the bond using the effective interest rate method, resulting in an effective interest rate of 4.5061%. Hightown is liable to the Company for both the bond coupon and the issue costs under the terms of the loan advance agreement.

The Company has appointed Allia BSL as Origination Manager to identify further suitable charity borrowers who would benefit from being able to access finance through a retail bond.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk and credit risk.

Interest rate risk

As at 31 August 2015 100% of the Company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the Company.

Liquidity risk

The Company actively lends the full amount of the loans it itself borrowed, thus it has assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk

The Company is reliant on the interest paid on its loans to fund the interest owing to bondholders. The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds (the "Charged Assets") are charged as security for the benefit of the investors in each of the bonds. As each bond prospectus stipulates that the obligations of the Company to pay amounts due on the bond are limited to the Charged Assets, the bondholders do not have recourse to any general assets of the Company and the risk of default by the borrowers is fully borne by the investors in the bonds.

Operational risks

Since the Company has no employees, it relies entirely on Allia BSL to provide management and administrative services. Any disruptions in the servicing arrangements could have an adverse effect on the Company. Having considered the complexity and volume of the transactions and the capability of Allia BSL, this risk is judged to be low.

**Retail Charity Bonds plc
Strategic Report
for the period ended 31 August 2015**

Directors' insurance

The Company has purchased insurance against Directors' liability for the benefit of the Directors of the Company.

Future outlook

The Directors are satisfied with the results in the period and expect future performance to continue on the same basis.

The Company may issue further bonds in the next twelve months.

Corporate governance statement

Internal control

The Company regards the successful identification, monitoring and control of risk as an essential part of its operations and has procedures in place to do so effectively.

By order of the board

A handwritten signature in black ink, appearing to read 'John Tattersall', with a long horizontal flourish extending to the right.

John Tattersall
Chairman
23 November 2015

Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015

Incorporation

The Company was incorporated in England and Wales on 14 March 2014. Its ultimate parent undertaking is RC Bond Holdings Limited.

Principal activities

The principal activity of the Company is to act as a special purpose vehicle for the purpose of issuing bonds and lending the proceeds to UK charities. It will not engage in any other business activity.

The Directors of the Company who have served during the period and to the date of the financial statements are:

John Tattersall (Chairman – appointed 14 March 2104)
Gordon D'Silva (appointed 21 March 2014)
Arvinda Gohil (appointed 14 March 2014)
Thomas Hackett (appointed 14 March 2014)
Timothy Jones (appointed 14 March 2014)
Geetha Rabindrakumar (appointed 29 May 2014)
Clare Thompson (appointed 14 March 2014)
Philip Wright (appointed 14 March 2014)

Independent auditor

RSM UK Audit LLP was appointed in the period and has indicated its willingness to continue in office and a resolution concerning its reappointment will be proposed at the Annual General Meeting.

Directors' remuneration

None of the Directors received any remuneration from the Company.

Statement of Directors' Responsibilities

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

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis, unless it is inappropriate to presume that the company will continue in operation.

In addition, 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.

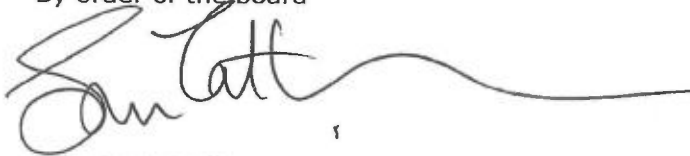
**Retail Charity Bonds plc
Directors' Report
for the period ended 31 August 2015**

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Retail Charity Bonds plc website.

In accordance with Section 418, each Director in office at the date of the Directors' Report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- (b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

A handwritten signature in black ink, appearing to read 'John Tattersall', followed by a long, horizontal wavy line extending to the right.

John Tattersall
Chairman
23 November 2015

Independent Auditor's Report to the members of Retail Charity Bonds plc

We have audited the financial statements on pages 11 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 7 to 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**Independent Auditor's Report to the members of
Retail Charity Bonds plc**

Matters on which we are required to report by exception

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

- 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.



Graham Ricketts (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

23 November 2015

Retail Charity Bonds plc
Profit and Loss Account
for the period ended 31 August 2015

	Notes	Period ended 31 August 2015 £'000
Turnover		32
Interest receivable and similar income	3	941
Interest payable and similar charges	5	(941)
Other income		59
Administrative expenditure		(89)
		<hr/>
Profit before taxation		2
Tax	6	-
PROFIT FOR THE PERIOD	12	<hr/> <hr/> <u>2</u>

The period from incorporation on 14 March 2014 was the first period of trading for the company.

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

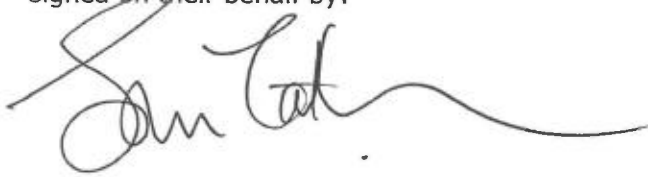
The notes on pages 14 to 20 form part of these financial statements.

(Registered number: 8940313)

Retail Charity Bonds plc
Balance sheet
as at 31 August 2015

	Notes	As at 31 August 2015 £'000
Current assets		
Debtors: amounts due after more than one year	7	37,667
Debtors: amounts due after less than one year	8	513
Cash at bank and in hand		2
		38,182
Creditors		
Amounts falling due within one year	9	(463)
		37,719
Net current assets		
Creditors		
Amounts falling due after one year	10	(37,667)
		52
Net assets		
Capital and reserves		
Share capital	11	50
Profit and loss account	12	2
Shareholder's funds	13	52

The financial statements were approved by the Directors on 23 November 2015 and were signed on their behalf by:



.....
 JOHN TATTERSALL - CHAIRMAN

The notes on pages 14 to 20 form part of these financial statements.

Retail Charity Bonds plc
Cash Flow Statement
for the period ended 31 August 2015

	Notes	Period ended 31 August 2015 £'000
Reconciliation of profit to net cash inflow		
Profit before tax		2
Receipt of bond proceeds		37,643
Loans advanced		(37,643)
Interest received		481
Interest paid		(481)
Increase in debtors		(27)
Increase in creditors		27
		<u>2</u>
Net cash inflow from operations		2
 CASHFLOW FOR THE PERIOD		
Increase in cash		2
Cash brought forward		-
		<u>2</u>
Net cash resources at period end		2
 Reconciliation of net cashflow to movement in net debt		
Increase in cash		2
Receipt of bond proceeds	(37,643)	
Bond interest paid	481	
	<u>(37,162)</u>	<u>(37,162)</u>
Change resulting from cashflow		(37,160)
Other movements		
Interest payable	(941)	
Accrued interest	436	
	<u>(505)</u>	<u>(505)</u>
Movement in net debt for the period		(37,665)
Opening net debt		-
Closing net debt	14	(37,665)

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Financial Reporting Standards in the United Kingdom (UK GAAP).

A summary of the more important accounting policies, which have been consistently applied, are set out below:

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the historical cost convention.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement.

Bonds and loans are held at amortised cost using the effective interest rate method. The discount and issue costs of each bond are amortised over the life of the bond to which they relate.

Bond issuing costs

Costs in respect of the issue of new bonds are deducted from proceeds and amortised to the profit and loss account over the expected life of the bond.

Going concern

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In the opinion of the Directors, the Company is expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on a going concern basis.

Turnover

The turnover shown in the profit and loss account represents revenue recognised by the Company in respect of services supplied during the period, exclusive of Value Added Tax.

Other income

Other income represents payments from Allia BSL under the Services Agreement with that company and is determined and credited on an accounting period basis.

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

2. STAFF COSTS

The company employs no staff. All services are provided to the Company by Allia Bond Services Limited. None of the directors received remuneration for their services.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 31 August 2015 £'000
Interest receivable on loans	941
	941

4. PROFIT AND LOSS ACCOUNT

The profit for the period is stated after charging:

	Period ended 31 August 2015 £'000
Fees payable to RSM UK Audit LLP and its associates:	
Audit remuneration	24
Review of the interim statements	21
	21

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 August 2015 £'000
Interest payable to bond holders	941
	941

6. TAX ON PROFIT OR ORDINARY ACTIVITIES

	Period ended 31 August 2015 £'000
Analysis of tax charge in the period	
Current tax on income for the period	-
Deferred tax	-
	-

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

6. TAX ON PROFIT OR ORDINARY ACTIVITIES
(continued ...)

The tax assessed for the period is equal to the standard rate of corporation tax in the UK at 20%.

	Period ended 31 August 2015 £'000
Profit for the period before taxation	2
UK corporation tax at 20%	-
Current tax charge for the year	-

7. DEBTORS: AMOUNTS DUE AFTER MORE THAN ONE YEAR

	At 31 August 2015 £'000
Loan to Golden Lane Housing	10,888
Loan to Hightown Housing Association Limited	26,779
	<u>37,667</u>

The loans to Golden Lane Housing and Hightown Housing Association Limited are secured (see note 10 for further details).

8. DEBTORS

	At 31 August 2015 £'000
Other debtors	27
Amounts owing from related companies	50
Accrued interest on Golden Lane Housing loan	40
Accrued interest on Hightown Housing Association Limited loan	396
	<u>513</u>

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 August 2015 £'000
Trade creditors	3
Interest on bond to fund Golden Lane Housing loan	40
Interest on bond to fund Hightown Housing Association Limited loan	396
Accruals	24
	463
	463

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	At 31 August 2015 £'000
Bond to fund Golden Lane Housing loan	10,888
Bond to fund Hightown Housing Association Limited loan	26,779
	37,667
	37,667

On 29 July 2014 the Company issued an £11 million bond at a coupon of 4.375% with repayment due in full on 29 July 2021. The funds received after bond issue costs were £10,871,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.575%.

The costs of issuing the bond were £129,000 leaving a net balance of £10,871,000 which was lent to Golden Lane Housing Limited, an independent charity established in 1998 by the Royal Mencap Society.

On 30 April 2015 the Company issued an £27 million bond at a coupon of 4.40% with repayment due in full on 30 April 2025. The funds received after bond issue costs were £26,773,000; based on these proceeds the gross yield of the bonds to their redemption on the expected maturity date equates to a fixed interest rate of 4.506%.

The costs of issuing the bond were £227,000 leaving a net balance of £26,773,000 which was lent to Hightown Housing Association Limited.

Bond issue costs are amortised over the terms of the bonds using the effective interest rate method. For each bond amount, the borrowers are liable to the Company for both the bond coupon and the bond issue costs, under an agreement between the companies.

Retail Charity Bonds plc
Notes to the Financial Statements
for the period ended 31 August 2015

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
(continued ...)

The Company's rights to receive payments from the borrowers under the loans and certain related assets under the issue documents for the bonds (the "Charged Assets") are charged as security for the benefit of the investors in each of the bonds. This means that if the borrowers fail to make payments of interest or repayments of principal under the loan agreement and this results in the occurrence of an event of default under the terms and conditions of the bonds, the Trustee (acting on the instructions of the bondholders) may enforce the terms of the loan against the borrowers.

Each bond prospectus stipulates that the obligations of the Company to pay amounts due on the bond are limited to the Charged Assets. Therefore, the risk of default by the borrowers is fully borne by the investors in the bonds.

The borrowings are due as follows:

	At 31 August 2015 £'000
Due in more than five years	37,667
	37,667

11. SHARE CAPITAL

	At 31 August 2015 £'000
Authorised issued shares of £1 each	50
Allotted, called up, but not paid	13

On 14 March 2014 50,000 shares were issued at par.

12,500 of the issued £1 shares are allotted, called up, but not paid. The remaining 37,500 £1 shares are allotted, but not called up or paid.

In addition, there is one issued ordinary share, which is designated as a "Special Share". In respect of any resolution proposed in relation to any alteration in the articles of association of the Company, the holder of the Special Share is entitled to cast such number of votes as is necessary to defeat the resolution and, in the event that the holder of the Special Share has not voted in respect of any such resolution, such resolution will be deemed not to have been passed. The holder of the Special Share shall not be entitled to vote in relation to any matter other than a proposed alteration in the articles of association of the Company.