

**Heylo Housing Registered Provider
Limited**

Report and Financial Statements

Year Ended

30 September 2018

Company Number 06573772



Heylo Housing Registered Provider Limited

Company Information

Directors	N A McAlpine-Lee G J Moran W R N Raynsford M Jones
Company secretary	Gravitas Company Secretarial Services Limited
Registered number	06573772
Registered office	5th Floor One New Change London EC4M 9AF
Independent auditor	Ernst & Young LLP 400 Capability Green Luton LU1 3LU
Solicitors	Pinsent Masons LLP 30 Crown Place London EC2A 4ES

Heylo Housing Registered Provider Limited

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Heylo Housing Registered Provider Limited

Strategic Report For the Year Ended 30 September 2018

Introduction

The Directors present their Strategic Report of Heylo Housing Registered Provider Limited ("HHRP" or "the Company") for the year ended 30 September 2018.

Business review

The Company is wholly owed by Heylo Housing Group Limited, the ultimate parent company of the Heylo Group companies.

The Company was acquired by HH No.1 Limited (formerly Heylo Housing Limited) in January 2017 and then in August 2018 was transferred to Heylo Housing Group Limited as part of a corporate reorganisation to create a group parent company for the "Heylo Group", details of which are available in the accounts of Heylo Housing Group Limited.

The Company leases properties from property investment companies within the Heylo Group and onward leases them on a part buy - part rent basis.

The profit and loss account shows a profit of £Nil for the year (2017: £Nil).


Principal risks and uncertainties

The Company receives rent from the shared ownership properties and pays an equivalent amount of rent to the relevant Heylo Group property investment company under its leases. The Company has no borrowings and therefore no interest or repayment obligations. All other operating costs of the Company are met under a parent support agreement. As a consequence, the Company therefore has very limited operating and financial risks.

This report was approved by the board on

28th MARCH 2019

and signed on its behalf.



W R N Raynsford
Chairman

Heylo Housing Registered Provider Limited

Value for Money Statement For the Year Ended 30 September 2018

The mission of HHRP is to work as part of the Heylo Group to become one of the leading shared ownership affordable housing providers in England.

Its key objective continues to be the utilisation of the resources made available by the Heylo Group to satisfy HHRP's mission statement and deliver as much affordable housing as possible in line with the Heylo Group growth strategies.

In January 2017, the Heylo Group acquired 100% of the share capital in HHRP to facilitate S106 affordable housing delivery and access to the full mortgage market for existing and future shared ownership customers. This was done in line with a business plan which will continue to be implemented and reviewed by the Heylo Group and HHRP.

HHRP was an Intending Provider until July 2017 after which and in line with its business plan, it began to hold interests in long leasehold homes. Since November 2017, when HH No.1 Limited acquired Investment Partner status from Homes England, HHRP has also acquired long leasehold interests in homes part funded with grant subsidy via the Homes England Shared Ownership and Affordable Homes Programme 2016-2021 ("SOAHP"). HHRP aims to continue to grow a portfolio of housing comprised of grant funded homes, sourced by HH No.1 Limited and additional new Investment Partners within the Heylo Group.

As at the year end, HHRP had a stock count of 1,104 homes. For context, given the integral initiation and evolution of the Heylo Group and HHRP 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 Heylo Housing Group Limited will also support HHRP activities, including all operational costs, in furtherance of the Heylo Group's affordable housing delivery aspirations.

Value for Money Statement

The Heylo Group's business model, business plan and focus on part buy - part rent 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 no financial risk and a forecast absence of such risk to HHRP via the long lease and shared ownership lease structure.
- Provides for Heylo Housing Group Limited to support all of HHRP's new homes origination activity, ongoing operational and management costs.
- Carries no development or volume sales 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 quarantined from political/policy volatility.
- Focuses on the delivery of the well-established shared ownership tenure, which by dint of its leasehold status, offers customers strong protections through Landlord and Leasehold legislation, while carrying less management and maintenance risk and lighter touch regulation than social rented and supported housing.
- Offers customers rents, management, services and service charges common to the traditional affordable home ownership sector and industry good practice.

Heylo Housing Registered Provider Limited

Value for Money Statement For the Year Ended 30 September 2018

The Heylo Group strategy also seeks to address key parts of the current Government's Green and White Housing Papers, the growing emphasis on affordable home ownership in the 2018 review of the National Planning Policy Framework (NPPF), the recommendations of the recently concluded Letwin Review and the wider political and emerging public consensus for a substantial Value for Money (VFM) increase in affordable housing supply, at a time of public funding constraints and where traditional routes are not meeting demand. For example:

- Home Reach provides a method of accelerating house builder build out rates by providing a larger, enfranchised market of eligible, low and moderately earning households. It is also appealing to Small and Medium Sized Entity (SME) builders who are often unfamiliar with or unprepared to take advantage of the help-to-buy program.
- Home Reach enables households priced out of the home ownership market to access affordable, responsibly marketed shared ownership housing, compatible with industry and regulatory standards; a target market that needs complementary or substitute products as delivery wanes via S106 planning deals and shall cease from 2023 via Help-to-Buy equity loans.
- The Heylo Group model provides a route for institutional investors, including Local Authority pension funds, to invest in a socially responsible and liability matching asset that should also deliver VFM for local and national taxpayers as described in section 3.19 of the White Paper.

HHRP has achieved large provider status and held stock for a full year so it is obliged to report on an end of year review of the VFM of the business plan, although as it has not held stock for longer than a year it is unable to demonstrate how VFM has improved compared with a previous year of operation.

However, the HHRP board, with the help of its advisors, has developed a VFM reporting template comprising the new VFM metrics published by the Regulator of Social Housing ("RSH"), following its own review of the VFM standard in April 2018. The HHRP board has asked the RSH to work with it to agree how HHRP can benchmark itself and report on the new VFM metrics in the most appropriate and proportionate way, given it is a relatively new entrant operating a low risk model that differs from those of traditional RPs. The board looks forward to concluding this review with the RSH in the first quarter of 2019.

Governance and Financial Viability

The board of HHRP has assessed and is satisfied it is compliant with the Governance and Financial Viability Standard in its status as an actual provider.

The HHRP board has adopted a code of governance based on the NHF Code (promoting board excellence for housing associations) and shall complete a review of its own performance in the first quarter of 2019 which is after the first anniversary of the appointment of the Chair of the board and will also by then include the first anniversaries of appointment of all other board members.

The 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 regulator.

The board will routinely re-assess its skills, experience, competencies and behaviours as the business continues to grow.

Heylo Housing Registered Provider Limited

Directors' Report For the Year Ended 30 September 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Results and dividends

The profit for the year, after taxation, amounted to £Nil (2017 £Nil).

The directors do not recommend the payment of a dividend (2017: No dividend).

Overview and principal activities

HHRP's entire share capital was acquired by HH No.1 in January 2017 and then in August 2018 was transferred to Heylo Housing Group Limited as part of a corporate reorganisation. HHRP is a registered provider of social housing with Homes England (registration number 4668). It leases properties from Heylo Group Property investment companies which are onward leased on a shared ownership basis. The Company complies with the Governance and Financial Viability Standard Code of Practice.

Directors

The directors who served during the year were:

N A McAlpine-Lee

G J Moran

W R N Raynsford

C Whitehead (appointed 13 February 2018, resigned 25 January 2019)

M Jones (appointed 02 January 2018)

Future developments

The business strategy of the Company is to provide shared ownership housing.

Qualifying third party indemnity provisions

The Heylo Group has put in place qualifying third-party indemnity provisions for all of the directors of Heylo Housing Registered Provider Limited which remain in force at the date of this report.

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 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 auditor is aware of that information.

Post balance sheet events

In accordance with the Heylo Group strategy and the commencement of trading by HH No.2 Limited, HH No.3 Limited and Heylo Housing Secured Bond Plc, HHRP has leased further properties from the Heylo Group property investment companies which have been onward leased on a shared ownership basis.

Heylo Housing Registered Provider Limited

Directors' Report For the Year Ended 30 September 2018

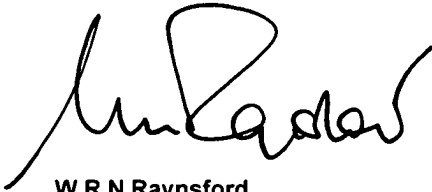
Auditors

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

28TH MARCH 2019

and signed on its behalf.



W R N Raynsford
Chairman

Heylo Housing Registered Provider Limited

Directors' Responsibility Report For the Year Ended 30 September 2018

The directors are responsible for preparing the Strategic Report, 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), 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 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Heylo Housing Registered Provider Limited

Independent Auditor's Report to the Members of Heylo Housing Registered Provider Limited

Opinion

We have audited the financial statements of Heylo Housing Registered Provider Limited for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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 company's affairs as at 30 September 2018 and of its income and expenditure 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 below. 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, 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Heylo Housing Registered Provider Limited

Independent Auditor's Report to the Members of Heylo Housing Registered Provider Limited

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 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.

We have nothing to report in this regard

Responsibilities of directors

As explained more fully in the directors' responsibilities report set out on page 6, 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.

Heylo Housing Registered Provider Limited

Independent Auditor's Report to the Members of Heylo Housing Registered Provider Limited

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.

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

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.

Ernst & Young LLP

Nicola Wright (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Newcastle upon Tyne

29 March 2019

Heylo Housing Registered Provider Limited
Company Number 06573772

Statement of Comprehensive Income
For the Year Ended 30 September 2018

		30 September 2018	17 months to 30 September 2017
	Note	£'000	£'000
Turnover	3	4,524	78
Operating expenditure	6	(4,524)	(78)
Operating Profit		-	-
Non-operating income/expenditure		-	4
Profit before Tax		-	4
Tax on profit		-	-
Profit for the year		-	4
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	4

The notes on pages 13 to 17 form part of these financial statements.

Heylo Housing Registered Provider Limited

Company Number 06573772

Statement of Financial Position As at 30 September 2018

	Note	30 September 2018 £'000	30 September 2017 £'000
Current assets			
Debtors: amounts falling due within one year	8	<u>63</u>	<u>1</u>
		63	1
 Creditors: amounts falling due within one year	9	<u>(63)</u>	<u>(1)</u>
Net current assets		<u>-</u>	<u>-</u>
Net assets		<u>-</u>	<u>-</u>
 Capital and reserves			
Called up share capital		-	-
Profit and loss account	11	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28th MARCH 2019



W R N Raynsford
Chairman

The notes on pages 13 to 17 form part of these financial statements.

Heylo Housing Registered Provider Limited

Company Number 06573772

Statement of Changes in Equity For the Year Ended 30 September 2018

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
At 30 September 2017	-	-	-
Profit and total comprehensive income for the year	-	-	-
At 30 September 2018	-	-	-

Statement of Changes in Equity For the 17-month Period Ended 30 September 2017

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
At 30 April 2016	-	(4)	(4)
Profit and total comprehensive income for the year	-	4	4
At 30 September 2017	-	-	-

Heylo Housing Registered Provider Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

1. General information

Heylo Housing Registered Provider Limited ('the Company' or 'HHRP') is a private limited company incorporated and registered in England & Wales under the Companies Act and its registered number is 06573772. The registered office is 5th Floor, One New Change, London, EC4M 9AF. The Company is a registered provider of social housing with Homes England.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRS 102'), the Companies Act 2006, The Housing Statement of Recommended Practice 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000. The Company has changed its year end to align with the ultimate parent. The financial statements have been prepared for a period of 12 months, whilst the 2017 comparatives are for 17 months.

The preparation of financial statements in compliance with FRS 102 and the Housing Statement of Recommended Practice 2014 requires the use of certain critical accounting estimates. Management have not identified any significant judgements or estimates in applying accounting policies.

The following principal accounting policies have been applied:

2.2 FRS 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 7 'Statement of Cash Flows' and Section 3 'Financial Statement Presentation' paragraph 3.17(d). Accordingly, the Company's statement of cash flows is not presented;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A.

This information is included in the consolidated financial statements of Heylo Housing Group Limited as at 30 September 2018 and these financial statements may be obtained from 5th Floor, One New Change, London, EC4M 9AF.

Heylo Housing Registered Provider Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

2.3 Turnover

Turnover comprises of rental income received from the shared ownership properties. Rental income is recognised on a straight-line basis over the lease term.

2.4 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.5 Financial instruments

Financial assets

Debtors

Short term debtors are measured at transaction value, less any impairment.

Financial liabilities

Creditors

Short term creditors are measured at the transaction value.

3. Turnover

All revenue from continuing operations is attributable to properties located in the United Kingdom.

4. Auditor's remuneration

An audit fee of £6,000 (2017: £7,000) was borne by Heylo Housing Group Limited, the parent undertaking. The fee is not recharged.

5. Directors Remuneration

The Company has no employees other than directors. W R N Raynsford received remuneration of £20,000 and M Jones £11,250. Costs were borne by HH No.1 Limited and Heylo Housing Group Limited. The other directors did not receive remuneration in respect of their services for Heylo Housing Registered Provider Limited.

6. Operating expenditure

Operating expenditure relates to amounts incurred under the leases entered into with Heylo Group property investment companies.

Heylo Housing Registered Provider Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

7. Taxation

	30 September 2018 £'000	17 months to 30 September 2017 £'000
Total current tax	-	-
Deferred tax	-	-
Total deferred tax	-	-
Taxation on profit	-	-

Factors that may affect future tax charges

On 26 October 2016, legislation was substantively enacted in the UK to reduce the standard rate of corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. On 6 September 2017, legislation was substantively enacted in the UK to reduce the rate from 1 April 2020 down from 18% to 17%.

8. Debtors: Amounts falling due within one year

	2018 £'000	2017 £'000
Tenant debtors	63	1
Unpaid share capital	-	-
	63	1

Tenant debtors comprise of rental owed by shared ownership leaseholders.

Heylo Housing Registered Provider Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

9. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Leasehold creditors	63	1
Sundry creditors	-	-
	<u>63</u>	<u>1</u>

Leasehold creditors comprise of amounts owed to HH No. 1 Limited under its leases.

10. Financial instruments

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at amortised cost	63	1
Unpaid share capital measured at amortised cost	<u>63</u>	<u>1</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(63)	(1)
	<u>(63)</u>	<u>(1)</u>

Financial assets measured at amortised cost comprise trade debtors and unpaid share capital.

Financial liabilities measured at amortised cost comprise trade creditors.

11. Share capital

	2018 £'000	2017 £'000
Shares classified as equity		
Allotted and called up		
200 Ordinary shares of £1 each	-	-
The allotted shares are not fully paid (note 8)	<u>-</u>	<u>-</u>

Heylo Housing Registered Provider Limited

Notes to the Financial Statements For the Year Ended 30 September 2018

12. Related party transactions

Up to August 2018 the Company was a wholly owned subsidiary of HH No. 1 Limited. As part of a corporate reorganisation HHRP is now a wholly owned subsidiary of Heylo Housing Group Limited, the immediate and ultimate parent undertaking which is incorporated in England and Wales. The Company has taken advantage of the option provided by paragraph 33.1A of Section 33, 'Related Party Disclosures', of FRS 102 which allows the Company not to disclose transactions with wholly-owned members of the group headed by Heylo Housing Group Limited.

Except as disclosed elsewhere in the financial statements, there are no other related party transactions

13. Post balance sheet events

In accordance with the Heylo Group strategy and the commencement of trading by HH No.2 Limited, HH No.3 Limited and Heylo Housing Secured Bond Plc, HHRP has leased further properties from the Heylo Group property investment companies which have been onward leased on a shared ownership basis.

14. Controlling party

The largest and smallest group in which the Company are consolidated is that headed by Heylo Housing Group Limited. The consolidated accounts of Heylo Housing Group Limited are available to the public from its registered office, 5th Floor, One New Change, London, EC4M 9AF.

The ultimate controlling party is the parent company.