

**POPLAR HARCA CAPITAL PLC**

**Report of the Board and Financial Statements**

**For the year ended 31 March 2017**

Company registration number 08472923

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## **BOARD, EXECUTIVE AND ADVISORS**

### **Board**

Dr Paul Brickell  
Stephen Stride

### **Registered**

167A East India Dock Road  
London  
E14 0EA

### **Bankers**

Barclays Bank Plc  
Canary Wharf Branch

### **Auditors**

KPMG LLP  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

## **Strategic Report**

Poplar HARCA Capital Plc, registered company no. 08472923, presents its report and audited financial statements for the year ended 31 March 2017.

### **Date of incorporation and principal activities**

Poplar HARCA Capital Plc was incorporated on 4 April 2013. Poplar HARCA Capital Plc is 100% owned by Poplar Housing and Regeneration Community Association Ltd (Poplar HARCA).

As a special purpose funding vehicle, the sole purpose of Poplar HARCA Capital Plc is to secure funding for on-lending to Poplar HARCA. Poplar HARCA obtains funding directly from banks and building societies. Poplar HARCA also obtains funding indirectly from the capital markets through Poplar HARCA Capital Plc.

On 25 July 2013, Poplar HARCA Capital Plc closed on a £140 million, 30-year, fixed rate bond transaction with a coupon rate of 4.843%. All the proceeds of this funding were on-lent to Poplar HARCA via a secured loan. This continues to be on-lent to Poplar HARCA.

### **Principal Risks and Uncertainties**

As Poplar HARCA Capital Plc on-lends all of its proceeds from capital market transactions to Poplar HARCA, the company faces a number of financial risks.

Key risks are highlighted below and mitigated as follows:

#### *Credit risk*

Poplar HARCA Capital Plc on-lends funding to Poplar HARCA under a secured loan agreement, which is backed by Poplar HARCA's housing assets. If there are any payments which are not made to Poplar HARCA Capital Plc (or if Poplar HARCA is in breach of its loan agreement with Poplar HARCA Capital Plc), then Poplar HARCA Capital Plc can enforce the security under the loan.

As Poplar HARCA Capital Plc is not obliged to provide incremental funding to Poplar HARCA, Poplar HARCA Capital Plc is not at risk if it cannot obtain further funding for Poplar HARCA. All of Poplar HARCA Capital Plc costs related to providing funding services are also recharged to Poplar HARCA.

#### *Interest risk*

As at March 2017, 100% of the company's debt was on fixed terms. There is no intention to repay any debt early. As evidenced by the Poplar HARCA Group's Baa1 credit rating from Moody's Investor Service, the group continues to be rated as investment grade. Any movement in the market value of debt due to interest rate changes is not deemed material.

#### *Liquidity risk*

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

*Review of the business and future developments*

The Company has interest receivable of £6.8 million for the year ended 31 March 2017 (2016: £6.8 million) which represented interest received from Poplar HARCA and interest expenses of £6.8 million (2016: £6.8 million). In line with the Company's role as a special purpose funding vehicle the company does not seek to generate significant financial returns.

Following the Brexit vote, the Moody's Investor Service changed the outlook for some housing associations to negative outlook. The Poplar HARCA Group was already at negative outlook following the rent reduction policy, and the credit rating and outlook for the Group did not change following the Brexit referendum outcome. The Group is aiming to improve the outlook to stable in 2017, and is monitoring the impact of Brexit carefully. Currently, as property sales exposure across the Group is minimal at this time, the risk map scores have not changed following Brexit, but will be reviewed on a quarterly basis.

Due to the limited nature of the company's operations, there are no other KPIs which the Board considers to be relevant.

By order of the board

A handwritten signature in black ink, appearing to read 'Paul Brickell', written over a white background.

**Dr Paul Brickell**  
Chair

Date: 26 September 2017

## **Directors' Report**

### **Results and Dividends**

The profit for the period was £nil (2016: £nil). No dividend is paid the parent company consistent with the prior year.

### **Directors**

The directors holding office at the date of this report are listed on Page 2.

### **Directors' and officers' liability**

Directors' and officers' liability insurance has been purchased by the Company during the year.

### **Political and Charitable Contributions**

The Company made no political or charitable contributions during the year (2016: £nil).

### **The Company's System of Internal Control**

The Board is responsible for ensuring that sound systems of internal control exist in Poplar HARCA Capital Plc, which focuses on the significant risks that threaten the Company's ability to meet its objectives, and provide reasonable assurance for the safeguarding of assets.

The key means of identifying, evaluating and managing the systems of internal control are:

- The existence of suitable governance arrangements; In 2017, following an internal audit on subsidiary governance, RSM was awarded "reasonable assurance";
- Adherence to Group-wide financial regulations and delegated authorities;
- Key accounting policies and other procedures;
- Management structures that ensure adequate separation of key duties and responsibilities;
- Formal risk management arrangements which involve the assessment of all major business risk and action plans to mitigate the worst effects of those risks;
- A Group-wide management assurance function, incorporating audit, structured to deliver the Group Audit Committee's three-year, risk-based audit plan, quality assurance and risk assessment. The Group uses the services of external firms of professional auditors and other specialists as appropriate. All audit reports are reviewed by the Audit and Risk Committee, which also receives updates on the implementation of agreed external and internal audit recommendations;
- A Group level treasury management function which reports annually to the Finance and General Purposes Committee. In the previous financial year, the Group improved its treasury management policies and procedures and an internal audit was undertaken which concluded that the new procedures provided "substantial assurance";
- Business planning, budgeting and budgetary control arrangements; and
- A Group-wide policy and procedure for dealing with suspected fraud and whistleblowing.

Poplar HARCA's Finance Director has reviewed the internal controls and assurance arrangements by reference to checks and reports on the above for the year ended 31 March 2017 and up to the date of signing. He has reported to the Board that he is satisfied with the effectiveness of the control systems. The Audit and Risk Committee and the Board have also expressed their satisfaction with these arrangements.

No weaknesses were found in internal controls which would result in material losses, contingencies or uncertainties, or which require disclosure in the financial statements.

### **Going Concern**

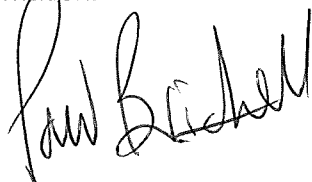
After reviewing Poplar HARCA Capital Plc's strategic business planning and control procedures, the Board has a reasonable expectation that it has adequate resources to continue operating for the foreseeable future.

### **Independent Auditors**

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue office.

### **Disclosure of information to Auditors**

The Board members who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and that each Board member has taken all the steps that he or she ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.



**Dr Paul Brickell**  
Chair

Date: 26 September 2017

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The Directors' are responsible for preparing 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 those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POPLAR HARCA CAPITAL PLC**

We have audited the financial statements of Poplar HARCA Capital Plc for the year ended 31 March 2017 set out on pages 10 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 it 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 page 7, the directors are responsible for the preparation of financial statements which 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 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 [www.frc.org.uk/auditscopeukprivate](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 March 2017 and of its profit for the year then ended ;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

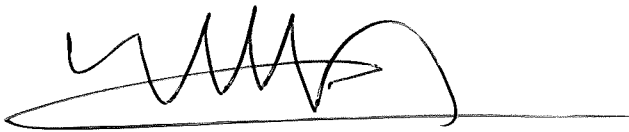
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

**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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.



**Harry Mears (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

28 September 2017

**STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 MARCH 2017**

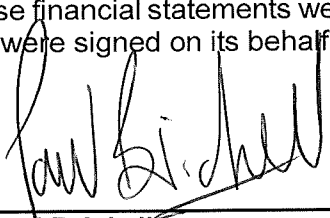
	Notes	2017 £'000	Restated 2016 £'000
Turnover		-	-
Gross Profit		-	-
Other income		50	45
Administrative expenses		(50)	(45)
Operating Profit		-	-
Interest receivable and similar income		6,780	6,780
Interest payable and similar charges		(6,780)	(6,780)
Profit before tax	2	-	-
Tax on profit on ordinary activities	4	-	-
<b>Total comprehensive income for the year</b>	<b>8</b>	<b>-</b>	<b>-</b>

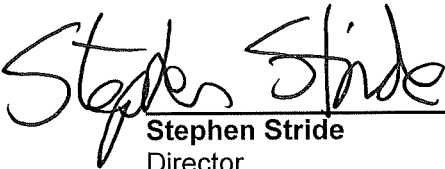
All operations are continuing. There are no recognised gains or losses other than those included in the above and therefore no movements in other comprehensive income to disclose.

**STATEMENT OF FINANCIAL POSITION  
 AS AT 31 MARCH 2017**

	Notes	2017 £'000	2016 £'000
<b>Current Assets</b>			
Debtors	5	121	96
Cash and cash equivalents		16	16
		<u>137</u>	<u>112</u>
<b>Creditors:</b> amounts falling due within one year		<u>(10)</u>	<u>(6)</u>
<b>Net Current Assets</b>		127	106
Debtors due after more than one year	5	139,370	139,370
		<u>139,497</u>	<u>139,476</u>
<b>Total Assets</b>			
<b>Creditors:</b> Amounts falling due after more than one year	6	<u>(139,447)</u>	<u>(139,426)</u>
<b>Net Assets</b>		<u>50</u>	<u>50</u>
<b>Capital and Reserves</b>			
Called up share capital	7	50	50
Revenue Reserve	8	-	-
		<u>50</u>	<u>50</u>
<b>Equity Shareholders' funds</b>			

These financial statements were approved by the board of directors on 26 September 2017 and were signed on its behalf by:

  
 Dr Paul Brickell  
 Chair

  
 Stephen Stride  
 Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
At the beginning of the year	50	50
Profit for the year	-	-
<b>At the end of the year</b>	<b>50</b>	<b>50</b>

## NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

### 1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Company's ultimate parent undertaking, Poplar Housing and Regeneration Community Association Limited (Poplar HARCA), includes the Company in its financial statements. The financial statements of Poplar HARCA are available to the public and may be obtained from the registered address. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes

#### ***Going concern***

After assessing the Company's financial position and resources, the Board believe that the Company is well placed to manage its business risks. The Company's Board have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly the financial statements are prepared on a going concern basis.

#### ***Accounting convention***

The financial statements are prepared on the historical cost basis of accounting.

#### ***Significant judgments***

In applying the Company's accounting policies, no significant judgements have been made.

#### ***Related party transactions***

The Company has taken advantage of the exemption permitted by FRS 102 in respect of related party transactions and does not disclose transactions with other wholly owned entities within the Group that are eliminated on consolidation.

### **Basic financial instruments**

Loans and other borrowings are stated at the amount of net proceeds. Where a premium or discount has been incurred on a bond issue, this is released over the term of the debt using the effective interest rate method.

Likewise, eligible finance set-up costs are deducted from the Company's borrowings and amortised over the remaining term, or a shorter period if more appropriate, using the effective interest rate method.

Trade and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash at bank and in hand includes cash balances and call deposits. Overdrafts are repayable on demand and so are included in creditors due within one year.

### **Taxation**

The charge for taxation is based on the profit for the year after adjusting for previous year provisions.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

### **Restatement**

The company has restated an item in the Statement of Other Comprehensive Income and reclassified the income received from parent undertaking from turnover to interest receivable and similar income. This has resulted in a reclassification in the prior year of £6,780k from turnover to interest receivable and similar income, with no net impact on profit before tax.

## 2 Profit before tax

Profit on ordinary activities before taxation was arrived at after audit fees of £6,727 (2016: £5,520), which are paid by Poplar HARCA Limited and recharged to Poplar HARCA Capital Plc. There were no staff employed by the Company and hence no staff costs.

## 3 Directors' Emoluments

One of the company's directors is employed by its parent, Poplar Housing and Regeneration Community Association Limited (Poplar HARCA).

None of the directors received emoluments in connection with their duties for Poplar HARCA Capital Plc.

## 4 Tax on profit on ordinary activities

Analysis of charge in the period	2017 £'000	2016 £'000
Current tax on income for the period	-	-
<b>Tax charge</b>	<b>-</b>	<b>-</b>

The company's tax charge for the period is equal to 20% (2016: 20%), the rate of corporation tax in the UK.

*Factors that may affect future tax charges:*

As announced in the 2016 Budget, the UK government's latest plans are that from 1 April 2017, the rate of UK corporation tax will reduce from the current standard rate of 20% to 19%, and from 1 April 2020 reduce further to 17%.

## 5 Debtors

Amounts due within one year	2017 £'000	2016 £'000
Amount due from Group undertakings	118	93
Other debtors	3	3
<b>Total</b>	<b>121</b>	<b>96</b>
 <b>Amounts due after more than one year</b>		
Amount due from group undertakings	139,370	139,370



## 6 Provisions and long term liabilities

	2017 £'000	2016 £'000
Bond	140,000	140,000
Bond set up cost	(553)	(574)
	<u>139,447</u>	<u>139,426</u>

### *Analysis of debt:*

Repayable, otherwise than by instalments as follows:

Due after more than five years	<u>139,447</u>	<u>139,426</u>
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Poplar HARCA Capital Plc has a £140 million fixed rate bond. The interest is payable on a fixed rate. The Company has no exposure to floating interest rates and therefore undertakes no hedging activity.

### **Fair values**

The fair value of the Company's long term borrowing at the balance sheet date was £166 million (2016: £153 million).

### **Financial risk management**

#### *Risk Management Objectives and Policies*

The Poplar HARCA treasury function is responsible for the management of funds and control of associated risks. Its activities are governed by the Poplar HARCA Board and the Finance and General Purposes Committee, which is responsible for treasury issues in all Poplar HARCA legal entities, which include Poplar HARCA Capital Plc. The treasury function does not operate as a profit centre.

#### *Interest Rate Risk / Hedging*

The Company currently borrows funds on a fixed rate basis from the capital markets and then on-lends these funds to Poplar HARCA on a similar fixed rate basis. As such, the Company does not bear any interest rate risk, apart from the underlying credit risk to Poplar HARCA, which is discussed below. The Company does not undertake any hedging activities and it does not have any derivatives.

#### *Market and Liquidity Risk*

There is no specific market risk or liquidity risk to the Company as all funding requirements are met by funding from Poplar HARCA so, regardless of payment obligations and interest rate movements, the Company will be left in a neutral financial position.

## Financial risk management (continued)

### Credit Risk

All of the Company's capital markets financing proceeds are immediately on-lent to Poplar HARCA, which represents the only credit risk to the Company. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loan to Poplar HARCA, the overall credit worthiness of Poplar HARCA and the contractual protections in the loan agreement with Poplar HARCA itself. The Company is also not obliged to source further funding from the capital markets for on-lending to Poplar HARCA unless it continues to be satisfied with Poplar HARCA's credit worthiness. It should be noted that the Poplar HARCA group continues to be rated as investment grade, as shown by the Baa1 credit rating from Moody's Investor Service.

### 7 Called up share capital

	2017 £'000	2016 £'000
<b>Allotted, issued and fully paid</b>		
50,000 ordinary shares of £1 each	50	50
<b>As at 31 March 2017</b>	<b>50</b>	<b>50</b>

### 8 Revenue Reserve

	2017 £'000	2016 £'000
At 1 April 2016	-	-
Profit for the Year	-	-
<b>At 31 March 2017</b>	<b>-</b>	<b>-</b>

### 9 Related Party Transactions

The Company has taken advantage of the exemption permitted by FRS 102 in respect of related party transactions and does not disclose transactions with other wholly owned entities within the Group that are eliminated on consolidation.

### 10 Parent Undertaking

The Company's ultimate parent undertaking is Poplar HARCA Limited, a registered company limited by guarantee, incorporated in the UK and registered in England and Wales.

Group accounts have been prepared by the ultimate parent undertaking and are available from the registered address, which is 167A East India Dock Road, London, E14 0EA.