

POPLAR HARCA CAPITAL PLC

Report of the Board and Financial Statements

For the year ended 31 March 2018

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

Auditor

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 2018.

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 2018, 100% of the company's debt was on fixed terms. There is no intention to repay any debt early. Following a downgrade by Moody's Investors Service (Moody's) of the UK rating to Aa2 and outlook change from negative to stable, 54 sub-sovereign issuers rated by Moody's were subsequently downgraded and outlook changed to stable. Moody's rating of the Poplar HARCA Group was reduced from Baa1 to Baa2 with the outlook changed from negative to stable. As evidenced by the Poplar HARCA Group's Baa2 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.

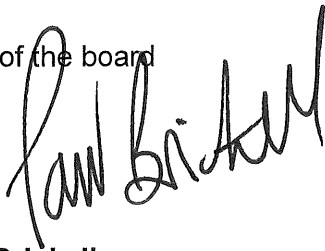
Review of the business and future developments

The Company has interest receivable of £6.8 million for the year ended 31 March 2018 (2017: £6.8 million) which represented interest received from Poplar HARCA and interest expenses of £6.8 million (2017: £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 (Moody's) changed the outlook for some housing associations to negative outlook. Moody's rating of the Poplar HARCA Group was reduced from Baa1 to Baa2 and outlook changed from negative to stable in October 2017. The Group continues to monitor 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 during ongoing Brexit negotiations, 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



Dr Paul Brickell
Chair

Date: 11 September 2018

Directors' Report

Results and Dividends

The profit for the period was £nil (2017: £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 (2017: £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 2018, following an internal audit on subsidiary governance, RSM awarded "reasonable assurance" for this area;
- 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 2018 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.

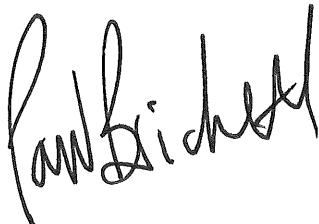
Independent Auditor

The auditor, KPMG LLP, will resign as the auditor following the completion for the year ended 31 March 2018. Mazars LLP have expressed their willingness to be appointed as auditors of the Company.

A resolution to appoint Mazars LLP as auditors for the Company for the year ended 31 March 2019, following the resignation of KPMG, was approved by the Board.

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: 11 September 2018

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

The directors are responsible for preparing the Annual Report and 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 they are required 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 its profit or loss 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and Directors' Report that complies with that law and those regulations.

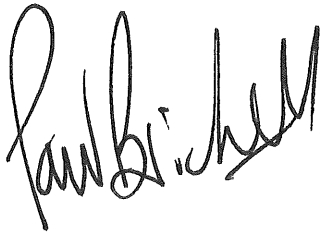
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, 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; and
- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

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



Dr Paul Brickell
Chairman



Jonathan Spearing
Secretary

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee provides assurance to the Group that Poplar HARCA Ltd and its subsidiary organisations operate an effective system of audit (external and internal) and risk management that is consistent with the corporate strategy, statutory and regulatory requirements, and best practice.

The Company's auditors in March 2018 presented to the Committee their audit plan and strategy which identified a key audit matter relating to the Group's ability to service the Company's debt. As a Committee we have considered this below.

- The Committee has approved the audit plan strategy presented in March 2018 and considers the procedures to be performed, in addition to action taken by management to be satisfactory.
- The Board of Poplar HARCA Ltd has approved a financial control framework that sets internal controls within the Board's accepted risk tolerance. The Audit and Risk Committee was part of the scrutiny process in setting these internal controls. The outputs of the Group business plan were assessed by the Group Board against the financial control framework in June 2018. Sufficient facilities are in place to fund the existing and pipeline development plans whilst retaining £15m of spare loan facility.
- As at 31 March 2018 the Group had £46.5m of undrawn charged facilities

Having considered the above, the Audit and Risk Committee is satisfied that the Group has an effective system of audit and risk management and can deal with a reasonable range of adverse scenarios in which the Group retains the ability to service the Company's debt.

VIABILITY STATEMENT

As required by the provisions of the UK Corporate Governance Code, the Directors has undertaken an assessment of the prospects of the Company taking into account its current position and principal risks. This assessment started by identifying the key risk being the Group's inability to service debt and was made using the following business processes:

- The Group's risk management framework and embedded culture
- The Group's approach to liquidity with £15m of spare facilities required by the financial control framework and scrutiny by the Finance and General Purposes Committee
- The spare charged facilities held by the Group available for drawdown as at 31 March 2018 of £46.5m
- Securitisation EUV-SH valuation of £180m being in excess of borrowings

In undertaking this assessment a period of 3 years has been selected. The outputs of the Group business plan were assessed against the financial control framework by the Finance and General Purposes Committee and approved by the Group Board in June 2018. Sufficient facilities are in place to fund the existing and pipeline development plans whilst retaining £15m of spare loan facility.

On the basis of this and having considered the principal risk, the Directors has reasonable expectations that the Company will be able to continue in operation and meet its liabilities as they fall due over the 3 year period used for this assessment.

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

1 Our opinion is unmodified

We have audited the financial statements of Poplar HARCA Capital PLC ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 02 May 2014. The period of total uninterrupted engagement is for the 4 financial years ended 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. We summarise below the key audit matter, in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Recoverability of Long Term Debtors

Long Term Debtors (amounts falling due in more than one year) £139m (2017: £139m)

Refer to page 9 (Report of the Audit and Risk Committee), pages 18 to 19 (accounting policy) and page 20 (financial disclosures).

The risk – low risk high value

The Company's primary activity is to issue bonds, source investor financing and on-lend to the Parent. It therefore has long term liabilities which relate to the bonds issued and long term intercompany debtors which relate to the loans provided to the Parent.

The carrying amount of the long term intercompany debtor balance represents 99.9% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Company financial statements, this is considered to be the area that had the greatest effect on our overall Company audit.

Whilst there are small amounts of financial income and financial expense during the loan period, the risk mainly stems from the expectation of the ability of the Parent to repay the loan in 25 years.

Our response

Our procedures included:

- i. **Tests of detail:** Assessing 100% of intercompany long term debtors owed by the Parent (2017: 100%) to identify, with reference to the Parent's financial draft balance sheet, whether they have a positive net asset value and therefore coverage of the debt owed.
- ii. **Assessment of Parent:** Assessing the work performed by the Group audit team, and considering the results of that work, on those net assets. This included assessment of the fair value headroom available on those net assets, and therefore the ability of the Parent to fund repayment of the receivable.
- iii. **Test of detail:** Assessing the balance on-loaned to the group with reference to the bond issue funds and the onward loan document between the Company and the Parent.
- iv. **Confirmation of value:** Obtained a confirmation letter from the counterparty to assess the gross, net and repayment date of the loan to the Parent.

Our results

We found the Company's assessment of the recoverability of the Long term debtor balance to be acceptable (2017 result: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Poplar HARCA Capital PLC is part of a Group headed by Poplar Housing and Regeneration Community Association Limited. Materiality of £1.39m (2017: £1.39m), as communicated by the Group audit team, has been applied to the audit of the Company.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £66k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was all performed at the Company's head office in London.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the strategic report and the directors' report

The directors are responsible for the other information presented in the strategic report and the directors' report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

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

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

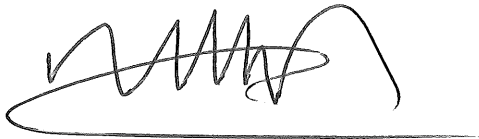
We considered the impact of laws and regulations. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors.

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

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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



Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

25 September 2018

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2018**

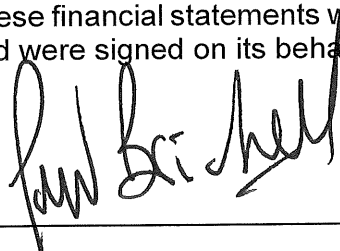
	Notes	2018 £'000	2017 £'000
Other income		30	50
Administrative expenses		<u>(30)</u>	<u>(50)</u>
Operating Profit		-	-
Interest receivable and similar income		6,780	6,780
Interest payable and similar charges		<u>(6,780)</u>	<u>(6,780)</u>
Profit before tax	2	-	-
Tax on profit on ordinary activities	4	<u>-</u>	<u>-</u>
Total comprehensive income for the year	8	<u><u>-</u></u>	<u><u>-</u></u>

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.

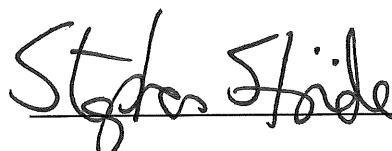
**STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2018**

	Notes	2018 £'000	2017 £'000
Current Assets			
Debtors	5	116	121
Cash and cash equivalents		15	16
		<u>131</u>	<u>137</u>
Creditors: Amounts falling due within one year	6	<u>(12)</u>	<u>(10)</u>
Net Current Assets		119	127
Debtors due after more than one year	5	139,370	139,370
		<u>139,489</u>	<u>139,497</u>
Total Assets		139,489	139,497
Creditors: Amounts falling due after more than one year	6	<u>(139,439)</u>	<u>(139,447)</u>
Net Assets		<u>50</u>	<u>50</u>
Capital and Reserves			
Called up share capital	7	50	50
Revenue Reserve	8	-	-
		<u>50</u>	<u>50</u>
Equity Shareholders' funds		50	50

These financial statements were approved by the board of directors on 11 September 2018 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 2018**

	2018 £'000	2017 £'000
At the beginning of the year	50	50
Profit for the year	-	-
At the end of the year	50	50

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.

2 Profit before tax

Profit on ordinary activities before taxation was arrived at after audit fees of £8,070 (2017: £6,727) 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	2018 £'000	2017 £'000
Current tax on income for the period	-	-
Tax charge	-	-

5 Debtors

	2018 £'000	2017 £'000
Amounts due within one year		
Amount due from Group undertakings	113	118
Other debtors	3	3
Total	116	121
Amounts due after more than one year		
Amount due from group undertakings	139,370	139,370

6 Creditors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Other creditors	<u>12</u>	<u>10</u>
Amounts falling due after more than one year		
Bond	140,000	140,000
Bond set up cost	(561)	(553)
	<u>139,439</u>	<u>139,447</u>

Analysis of debt:

Repayable, otherwise than by instalments as follows:

Due after more than five years	<u>139,439</u>	<u>139,447</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 £165 million (2017: £166 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.

Financial risk management (continued)

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.

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 Baa2 credit rating from Moody's Investor Service as at 31 March 2018.

7 Called up share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid		
50,000 ordinary shares of £1 each	50	50
As at 31 March 2018	50	50

8 Revenue Reserve

	2018 £'000	2017 £'000
At 1 April 2017	-	-
Profit for the Year	-	-
At 31 March 2018	-	-

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 Community Benefit Society with the Financial Conduct Authority and a registered provider of social housing with the Regulator of Social Housing, Homes England.

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.