

POPLAR HARCA CAPITAL PLC

Report of the Board and Financial Statements

For the year ended 31 March 2020

Company registration number 08472923

CONTENTS	Page No.
Board Executive and Advisors	2
Strategic Report	3
Directors' Report	6
Statement of Directors' responsibilities	8
Report of the Audit and Risk Committee (ARC)	10
Viability Statement	10
Report of the Independent Auditors, Mazars LLP, to the members of Poplar HARCA Capital Plc	11
Statement of Comprehensive Income	18
Statement of Financial Position	19
Statement of Changes in Equity	20
Notes to the Financial Statements	21

BOARD, EXECUTIVE AND ADVISORS

Board

Dr Paul Brickell
Stephen Stride

Registered

George Green Building
155 East India Dock Road
London
E14 6DA

Bankers

Barclays Bank Plc
Canary Wharf Branch

Auditor

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Strategic Report

Poplar HARCA Capital Plc (“the company”) registered company no. 08472923, presents its report and audited financial statements for the year ended 31 March 2020.

Date of incorporation and principal activities

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

As a special purpose funding vehicle, the sole purpose of the company 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 the company.

On 25 July 2013, the company issued a £140 million, 30-year, fixed rate bond transaction with a coupon rate of 4.843% on the London Stock Exchange (the original bonds). 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.

On 4 August 2020 the company executed a Forward Purchase Agreement for the sale of an additional £25 million bonds to be consolidated and form a single series with the original bonds. It is expected that the company will issue the new bonds and the proceeds of sale will be received on 30 October 2020. The proceeds will be on-lent to Poplar HARCA.

Review of the business and future developments

The company has interest receivable of £6.8 million for the year ended 31 March 2020 (2019: £6.8 million) which represented interest received from Poplar HARCA and interest expenses of £6.8 million (2019: £6.8 million). In line with the company's role as a special purpose funding vehicle it does not seek to generate significant financial returns.

Work is progressing by Poplar HARCA to add to the security charged to the bond trustee. The intention of the company is to issue up to £110 million new bonds with up to £85 million of the new bonds retained after selling £25 million bonds by way of the Forward Purchase Agreement. The company will work with Poplar HARCA with a view to selling some of the retained bonds after they are issued.

Due to the limited nature of the company's operations, there are no other Key Performance Indicators which the Board considers to be relevant. As the company does not have any employees or revenue and its sole purpose is to secure funding for on-lending to Poplar HARCA there is no specific information relating to environmental, social, anti-corruption or anti-bribery matters or relating to respect for human rights to disclose that would provide a better understanding of the company's performance and position and impact of its activities.

Strategic Report (Continued)

Principal Risks and Uncertainties

The Directors can confirm that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model and future performance. As the company on-lends all of its proceeds from capital market transactions to Poplar HARCA, it faces a number of financial risks.

Key risks are highlighted below and mitigated as follows:

Credit risk

The company is exposed to credit risk on debt owed to it by its parent Poplar HARCA. The company on-lends funding to Poplar HARCA under a secured loan agreement, which is backed by Poplar HARCA's housing assets. If Poplar HARCA is in breach of its loan agreement with the company, then the company can enforce the security under the loan.

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

Interest risk

The company is exposed to fair value interest rate risk. The fair value of the bond is regularly monitored to manage this risk as part of Poplar HARCA's treasury management policy. There is no cash flow interest rate risk as 100% of the company's debt is at a fixed interest rate. There is no intention to repay any debt early. As evidenced by the Poplar HARCA's Baa1 credit rating from Moody's Investor Service, the Association continues to be rated as investment grade.

Liquidity risk

The company has limited exposure to liquidity risk. This is because the company has on-lent to its parent Poplar HARCA the full amount of the debt it has itself borrowed. The company is able to settle its immediate debt and interest payable by re-calling the amounts due from its parent Poplar HARCA.

Section 172 Statement

The Directors of the company are the Chair and Chief Executive of the Group and any decisions made by the Board of the company are made with the charitable aims of the Group in mind and understanding that favourable funding costs will have a positive impact on the delivery of the Group's charitable objectives. These charitable objectives are based on the objects of Poplar HARCA, the sole shareholder.

The Company does not have any employees that are directly impacted by its decisions, but as a funding vehicle for Poplar HARCA the company can have an impact on the local community in which Poplar HARCA operates and the Board of the company takes the impact on the community and environment into considerations in its business decisions.

The Board of the company recognises the importance of fostering and maintaining a reputation for high standards and business conduct with suppliers, customers, and other external stakeholders.

Strategic Report (Continued)

Credit rating, Brexit and COVID-19

In December 2019, the Moody's rating of Poplar HARCA was increased from Baa2 positive outlook to Baa1 stable.

Brexit has been considered on balance at Group level, and risk map scores have not been changed, but are reviewed on a quarterly basis whilst the impact of Brexit unfolds and is better understood. Any further rating downgrade to the UK would be met with a strategic response by Poplar HARCA including a reduction in discretionary operating expenditure to improve operating margin and asset sales to reduce its debt. Currently market sales exposure across the Group is minimal at this time with almost all homes sold and continues to be monitored closely as Brexit unfolds.

COVID-19 has had a substantial impact on the external environment in which the Group operates and created additional economic uncertainty. At the time of writing, we are still responding to the current crisis and taking decisions to protect customers, staff and the business. In mid-March, following government directives to limit the spread of the virus and to enforce social distancing, we closed our offices, community centres and cafes and reduced our frontline services.

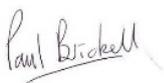
Due to Poplar HARCA's investment in IT infrastructure, the majority of its staff have been able to work from home, offering additional contact services to support vulnerable customers whilst maintaining social distancing.

To manage the risks to the business and in line with business continuity planning Poplar HARCA also:

- Undertook additional stress testing of its long-term financial plan, including reforecasting its base 2020/2021 budget. It also ran downside scenarios to identify the impact on liquidity. All scenarios can be comfortably financed by existing funding arrangements.
- Implemented part of the its recovery plan and brought in additional monitoring measures
- Enhanced its financial resilience in relation to liquidity by drawing down bank loan prior to lockdown and holding more immediately available cash.
- Reviewed its development pipeline with consideration of sales exposure, including the option to change tenure of units being developed and seek additional grant from the GLA.

The Group continues to follow government guidance and will reintroduce services and open offices, community centres and cafes only when it is safe to do so and will update safety guidance where appropriate.

By order of the board



Dr Paul Brickell

Chair

Date: 15 September 2020

Directors' Report

Control and Structure

Poplar HARCA Capital Plc ("the company") is 100% owned by Poplar Housing and Regeneration Community Association Ltd (Poplar HARCA).

The Company has issued 50000 Ordinary Shares which are held by Poplar HARCA as the sole shareholder.

Results and Dividends

The profit for the period was £nil (2019: £nil). No dividend was paid to Poplar HARCA during the year (2019: £nil).

Directors

The company's directors who held office during the period were as follows.

Dr Paul Brickell (also Chair of the Poplar HARCA Group)
Stephen Stride (also Chief Executive of the Poplar HARCA Group)

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 (2019: £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;
- Adherence to Group-wide financial regulations and delegated authorities;
- Key accounting policies and other procedures;
- Management structures that ensure adequate separation of 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 and Risk 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 2019 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"

Directors' Report (Continued)

- Business planning, budgeting and budgetary control arrangements; and
- A Group-wide policy and procedure for dealing with suspected fraud and whistleblowing.

Relevant Audit Information

So far as the Directors are aware, there is no relevant audit evidence of which the company's Directors are unaware. All the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information have been taken.

Poplar HARCA's Director of Finance has reviewed the internal controls and assurance arrangements by reference to checks and reports on the above for the year ended 31 March 2020 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 and considering the environment in which we operate due to Covid-19, the Board has a reasonable expectation that it has adequate resources to continue operating for the foreseeable future.

Independent Auditor

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

Disclosure of information to Auditors

The Directors 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 Director has taken all the steps that he or she ought to have taken as a Director 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: 15 September 2020

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

The directors are responsible for preparing the Strategic Report, Directors' 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 Strategic Report, Directors' Report and accounts, taken as a whole, are 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
Chair



Stephen Stride
Director

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee provides assurance to the Group that Poplar HARCA 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 2020 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 2020 and considers the procedures to be performed, in addition to action taken by management to be satisfactory.
- The Board of Poplar HARCA 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 Poplar HARCA Board against the financial control framework in June 2020. Sufficient facilities are in place to fund the existing and pipeline development plans whilst retaining £15m of spare loan facility.
- As at 31 March 2020 the Group had £50m (2019: £50m) 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 have 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 2020 of £50m (2019: £50m).
- Securitisation EUV-SH valuation of £185m (2019: £178m) 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 2020. 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

Opinion

We have audited the financial statements of Poplar HARCA Capital PLC (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including 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 state of the company's affairs as at 31 March 2020 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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.

Key audit matters

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

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

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address these matters and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How we responded to this risk
<p>Inability to meet obligations in respect of the Bond Deed:</p> <p>In July 2013 Poplar HARCA Capital PLC issues a £140 million listed bond. The proceeds are loaned to Poplar Housing and Regeneration Community Association Limited which guarantees the timely payment of principal and interest by the company. Under the terms of the loan agreement Poplar Housing and Regeneration Community Association Limited are required to reimburse the company for all expenditure incurred in respect of the bond.</p> <p>The main risk to the company is the non-timely payment of interest and principal under the bond documentation to the bond holders. The group liquidity position is monitored to ensure that there is sufficient cash to meet the timely payment of principal and interest. The risk is mitigated through a secure loan agreement backed by assets owned by Poplar Housing and Regeneration Community Association Limited. This is also supported by a long-term business plan showing the ability to repay the debt.</p>	<p>Our audit work focused on the ability of the company to meet the obligations of the bond which, in the short term, covered the actual payment of interest in the year and, in the long term, the ability of the company to repay the principal amount.</p> <p>We reviewed the budget and business forecasts of the wider Poplar HARCA Limited group. We reviewed the assumptions used by management and performed sensitivity analysis to calculate available headroom.</p> <p>Based on our work performed, we noted that the company is able to meet the bond obligations for the foreseeable future.</p>
<p>Going concern and the impact of the COVID-19 outbreak on the financial statements</p> <p>During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK. As such, we believe this is a key audit matter.</p>	<p>For Poplar HARCA Capital PLC, COVID-19 has had minimal impact, this is because the entity exists solely to hold a bond for the group. It therefore has no revenue streams or employees to be effected by the effects of the pandemic. The company does however require the Poplar HARCA group to perform well in order to meet the bond obligations. Our consideration of this is below.</p>

<p>The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 3 and going concern assessment on pages 7. While the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate</p>	<p>Our audit work focused on analysing the group budget for the coming year and management's expectations of how the virus would impact the group. In doing so we analysed key revenue streams; we found that the parent entity's rent and service charges have continued to generate expected income throughout the lock down period. In addition, they have had no material increases in rent arrears and are still operating to budget. As such, there is no indication that they will not be able to continue to meet the bond obligations even throughout the pandemic.</p> <p>Based on our work performed, we noted that the company is not adversely impacted by COVID-19.</p>
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Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,000,000
How we determined it	<p>This has been calculated with reference to the total assets of the entity, of which it represents approximately 1%.</p> <p>In determining this figure we make reference to the other Poplar HARCA group entities to ensure an overall consolidated materiality is not exceeded.</p>
Rationale for benchmark applied	<p>Total assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the organisation.</p> <p>1% has been chosen to reflect the level of understanding of the stakeholders of the group in relation to the inherent uncertainties around accounting estimates and judgements.</p>
Performance materiality	£800,000. This has been calculated as 80% of materiality.
Reporting threshold	£30,000. This has been calculated as 3% of materiality.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company's accounting processes and controls and its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- We discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006.

Our procedures in relation to fraud included but were not limited to:

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;

- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under “Key audit matters” within this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report of the Board and Financial Statements other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Group Audit and Risk Committee, we were appointed by the Group Audit and Risk Committee on 12 November 2018 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the year ended 31 March 2019 to 31 March 2020.

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

Our audit opinion is consistent with the additional report to the Group Audit and Risk Committee.

Use of the audit 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.



Vincent Marke
(Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF
Date: 21 September 2020

**STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £'000	2019 £'000
Other income		40	51
Administrative expenses		(40)	(51)
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	-	-
Total comprehensive income for the year		-	-

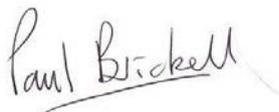
All operations are continuing. The note on pages 21 to 25 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

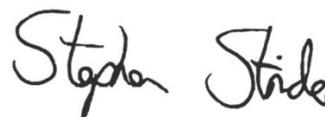
	Notes	2020 £'000	2019 £'000
Non current assets			
Debtors: amounts falling due after more than one year	5	139,370	139,370
		<u>139,370</u>	<u>139,370</u>
Current assets			
Debtors: amounts falling due within one year	5	144	134
Cash at bank and in hand		18	11
		<u>162</u>	<u>145</u>
Creditors: amounts falling due within one year	6	<u>(9)</u>	<u>(10)</u>
Net current assets		153	135
Total assets less current liabilities		139,523	139,505
Creditors: amounts falling due after more than one year	6	<u>(139,473)</u>	<u>(139,455)</u>
Net assets		<u>50</u>	<u>50</u>
Capital and reserves			
Called up share capital	7	50	50
Income and expenditure reserve		-	-
Equity shareholders' funds		<u>50</u>	<u>50</u>

The note on pages 21 to 25 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 15 September 2020 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 2020**

	Called up Share Capital	Income and expenditure reserve	Total equity
	£'000	£'000	£'000
At 1 April 2018	50	-	50
Profit/ loss for the year	-	-	-
At 31 March 2019	50	-	50

	Called up Share Capital	Income and expenditure reserve	Total equity
	£'000	£'000	£'000
At 1 April 2019	50	-	50
Profit/ loss for the year	-	-	-
At 31 March 2020	50	-	50

NOTES TO THE FINANCIAL STATEMENTS

Legal status

The entity is registered as a public limited company by shares under the Companies Act (2006) and was incorporated on 4 April 2013.

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 under the historical cost convention.

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 paragraph 1.11 in respect of the following disclosures as discussed in note 10:

- Cash Flow Statement and related notes

Going concern

After assessing the Company's financial position and resources and the fact that it is operating within the current Covid-19 environment, 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.

Reserves

The Income and expenditure reserve are the cumulative surplus' and deficits of the entity.

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 paragraph 33.1A 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

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds only basic financial instruments, which comprise cash and cash equivalents, trade and other debtors, trade and other creditors and issued debt security. The Company has chosen to apply the measurement and recognition provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues in full.

Loans and other borrowings are stated at amortised cost using the effective interest method after an initial recognition at the transaction price (adjusted for transaction costs).

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 tax expense comprises current and deferred tax. Tax currently payable, relating to corporation tax, is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax is recognised on all timing differences that have originated but not reversed at the reporting date. Transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future give rise to a deferred tax liability or asset. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted as at the reporting date, that are expected to apply to the reversal of the timing difference. The tax expense is recognised in the same component of comprehensive income or equity as the transaction, or other event, that resulted in the tax expense.

Deferred income tax assets are recognised only to the extent that, on the basis of all available evidence, it is deemed probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Taxation (Continued)

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts, and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2 Profit before tax

Profit on ordinary activities before taxation was arrived at nil after audit fees of £4,920 (2019: £4,800) 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 company, 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	2020 £'000	2019 £'000
Current tax on profit on ordinary activities	-	-
	<u>-</u>	<u>-</u>

5 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Amount due from Group undertakings	<u>144</u>	<u>134</u>
Amounts falling due after more than one year		
Amount due from Group undertakings	<u>139,370</u>	<u>139,370</u>

6 Creditors

	2020 £'000	2019 £'000
Amounts falling due within one year		
Other creditors	<u>9</u>	<u>10</u>

6 Creditors (Continued)

Amounts falling due after more than one year

Bond	140,000	140,000
Bond set up cost	(527)	(545)
	<u>139,473</u>	<u>139,455</u>

Analysis of debt:

Repayable, otherwise than by instalments as follows:

Due after more than five years	<u>139,473</u>	<u>139,455</u>
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Poplar HARCA Capital Plc has a £140 million fixed rate bond and it is secured by housing property assets. The maturity date of this bond is 30 September 2043. 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 reporting date was £179 million (2019: £164 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.

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 as at 31 December 2019.

7 Called up share capital

	2020	2019
	£'000	£'000
Allotted, issued and fully paid		
50,000 ordinary shares of £1 each	50	50
As at 31 March 2020	50	50

The shares provide members with the right to vote at general meetings and are not redeemable.

8 Related Party Transactions

The Company has taken advantage of the exemption permitted by FRS 102 paragraph 33.1A in respect of related party transactions and does not disclose transactions with other wholly owned entities within the Group that are eliminated on consolidation.

9 Subsequent events

The directors of the Company are not aware of any further material matters or circumstances arising between 31 March 2020 and this report which may materially affect the financial statements.

10 Ultimate parent company

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 George Green Building, 155 East India Dock Road, London, E14 6DA.