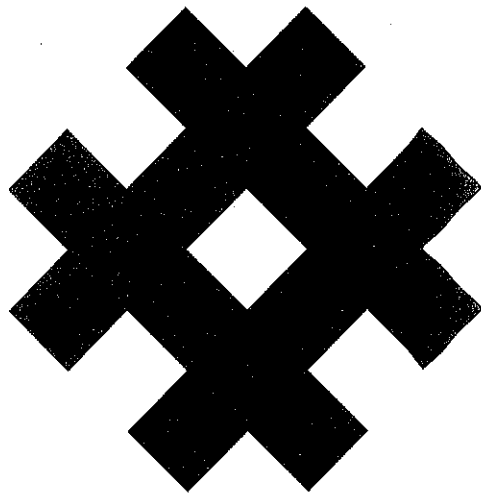


**Yorkshire Housing Finance Plc**  
**Annual Report and Financial Statements**  
**For The Year Ended 31 March 2019**



**YORKSHIRE**  
**HOUSING**

# Yorkshire Housing Finance Plc

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## Company Information

**Directors:** D Bolton  
M Jones - resigned 21 December 2018  
G Millichamp  
N Atkin – appointed 1 April 2019

**Secretary:** G Millichamp

**Company number:** 09227343

**Registered office:** Dysons Chambers  
12 -14 Briggate  
Leeds  
West Yorkshire  
LS1 6ER

**Independent auditors:** Grant Thornton UK LLP  
No 1 Whitehall Riverside  
Leeds  
LS1 4BN

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# Yorkshire Housing Finance Plc

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# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

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## Strategic Report

### Overview of business

The objective of the Company is to provide external funding to support the activities of the parent Company, Yorkshire Housing Limited together with its subsidiaries. These activities are subject to financial risks such as failure to meet interest/covenant requirements and the underlying performance of the group.

### Group structure

The Group also comprises the following companies:

Yorkshire Housing Limited	- registered Co-operative and Community Benefit Society number 30443R & Homes England registered provider number L4521
Yorkshire Community Property Services Limited	- registered Company number 4131362
Y H Residential Limited	- registered Company number 4604866

The Group also has a 33% share in Yorkshire Transformations Holdings Limited, registered company number 05047771, which operates a PFI scheme for Leeds City Council.

### Business review and future activities

On 31 October 2014 the Company issued £140m 4.125% secured bonds at an issue price of 98.175% of the aggregated principal amount. These secured bonds, which are denominated in Sterling, mature on 31 October 2044. The proceeds of £137.4m were then on-lent to Yorkshire Housing Limited at an effective interest rate of 4.233% plus the cost of amortising the discount on issue over the life of the bonds. Also on 31 October 2014 the Company deferred the issue of a further £60 million secured bonds until a future date. All issue costs have initially been borne by Yorkshire Housing Limited and recharged to Yorkshire Housing Finance Plc, and these costs will be amortised over the lifetime of the loan.

The Board is of the opinion that the state of the Company's affairs and the results for the year are satisfactory. The profit for the year amounted to £nil (2018: £nil). The Company advances loans to Yorkshire Housing Limited, interest on this loan is treated as intra-group and is fully reimbursed.

At the date of this report the board does not envisage any significant changes in the Company's activities in the foreseeable future.

The Company is considering issuing the remaining £60 million secured bonds, and on lending the entire proceeds to its parent to fund the development of new homes during the 2019/20 financial year. No formal agreement has yet been made.

### Objectives and strategy

The objectives of the Company are to provide external funding to support the wider group. The execution of the Company's strategy is subject mainly to financial risks, such as failure to meet interest/covenant requirements and the underlying performance of the Yorkshire Housing Group and its subsidiaries. The Company's financial instruments and its exposure to financial risks are summarised in note 11.

### Key performance indicators

The directors have monitored the progress of the overall strategy and the individual strategic elements by reference to the financial indicators below. There are no non-financial key performance indicator measures. The board of directors ensure that the Company fulfils its obligations under the bond trust deed which in turn ensures it is compliant with listing Regulations and under the bond loan agreement, its commitment to the bond investors and Yorkshire Housing Limited. The Company is primarily a conduit for accessing the debt capital markets, therefore the board of directors monitor the compliance with the asset cover covenant (see below) and the availability of cash flow to and from the other members of Yorkshire Housing Limited as the key financial performance indicators. As the Company provides lending to other members of the Group, its performance is dependent on performance of the Group, reference should therefore also be made to those key performance indicators measured by the Group; as outlined in the Yorkshire Housing Limited financial statements for the year ended 31 March 2019. The Company continues to comply with its obligations under the bond loan agreement and trust deed and has provided sufficient cash flow to other members of the Group. The Company's liabilities are secured against the performance of Yorkshire Housing Limited through appropriate agreements, and the particular financial indicators for Yorkshire Housing Limited are detailed below:

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Strategic Report (continued)

Key Performance Indicator	Actual Performance	Covenant
Asset Value Cover	112%	> 100%
Interest Cover (3 year aggregate)	3.0	> 1.1

Asset Value Cover has been calculated based on the valuation of the housing properties on which the bond is secured. This is a satisfactory performance, as it is above the target performance as per the requirements of the financial covenant in the bond loan agreement. Interest cover has been calculated on the basis of the loan agreement.

### Principal risks and uncertainties

The Directors' Report includes a review of principal financial risks covering credit, liquidity and interest rates.

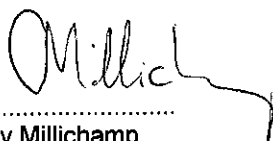
The Group's treasury function is responsible for the management of all Group funding arrangements and the control of associated risks within the overall governance framework of the Group treasury strategy. The Company's activities are undertaken within this Group-wide funding strategy. As such the long term performance of the Company is dependent on the performance of the other members of the Group, in particular Yorkshire Housing Limited. In this context the Company is exposed to the risks and uncertainties which are set out within the Operating and Financial Review of Yorkshire Housing Limited for the year ended 31 March 2019.

### Going concern

The Company is a vehicle for raising debt finance for the Group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements the Company is dependent upon Yorkshire Housing Limited to whom the Company has on lent the proceeds of the bond as per the terms of the on-lending agreement. Yorkshire Housing Finance Plc currently represents a net current liability due to amounts owed to the Group undertakings. The Directors have obtained confirmation that these amounts will not be called unless the Yorkshire Housing Finance Plc has sufficient funds. Yorkshire Housing Limited has in place long term business plans which demonstrate the ability to meet all of its obligations.

On this basis the board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt a going concern basis in preparation of its financial statements. Yorkshire Housing Finance Plc's creditor position is in line with Yorkshire Housing Group's long term financial plan and is not understood by the Board to reflect financial duress.

On behalf of the board



.....  
Guy Millichamp  
Director

19 August 2019

# Yorkshire Housing Finance Plc

*For the year ended 31 March 2019*

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## **Directors' Report**

The Directors of Yorkshire Housing Finance Plc (the 'Company') present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Yorkshire Housing Finance Plc is a 100% owned subsidiary of Yorkshire Housing Limited; which is incorporated under the Co-operative and Community Benefit Societies (2014 Act) (registered number 30443R) and is a Registered Provider (HCA registration number L4521) and is a member of The Yorkshire Housing Group, ("The Group").

### **Principal activities**

The Company's principal activity is to act as a vehicle for raising external debt and to on-lend to the Group. In order to issue bonds to the public it is a legal requirement that the issuer is a public limited company (plc).

### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Group has in place a risk management plan that seeks to limit the adverse effects on the financial performance of the Company. The Company's financial instruments and its exposure to financial risks are outlined in note 11 - Financial Instruments.

**Credit Risk** - as at 31 March 2019 the Company had on-lent all of its issued funds to Yorkshire Housing Limited which was secured by a first fixed legal charge over property assets valued in excess of the value of the debt.

**Liquidity Risk** - the Company has lent the full amount of its drawn funds, thus fully offsetting its liabilities. The interest payable by the Company on its debt is fully offset by the interest receivable from Yorkshire Housing Limited.

**Interest Rate Risk** - as at 31 March 2019, 100% of the Company's debt is on fixed rate terms from the capital markets. It is then on lent to Yorkshire Housing Limited at the same fixed rate of interest. The bond is accounted for at amortised cost so has no impact on the Statement of Comprehensive Income. There is no intention to repay the debt in advance of the agreed repayment profile, therefore any changes in the market value of the debt arising out of changes in market interest rates is not deemed to be material to the financial stability of the Company.

### **Employees**

The Company does not have any employees.

### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force during the financial year and also at the date of approval of the financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

### **Reserves**

The Company's reserves at the end of the year amounted to £nil.

### **Results and dividends**

No dividend was paid during the year. The directors are not recommending the payment of a final dividend.

### **Future developments**

As set out in the strategic report the board does not envisage any significant changes in the Company's activities in the foreseeable future. The Company is, however, considering issuing the remaining £60 million secured bonds, and on lending the entire proceeds to its parent to fund the development of new homes during the 2019/20 financial year.

### **Subsequent events**

There are no subsequent events to report.

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

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## Directors' Report (continued)

### Board members and directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were;

David Bolton  
Guy Millichamp  
Nick Atkin

The Directors held no interest in the Company but are executive directors of, and employed by, Yorkshire Housing Limited.

### Statement of directors' responsibilities

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

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

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

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

### Statement of disclosure to auditors

So far as each member of the Board is aware, there is no relevant audit information of which the Company's auditors are unaware and each member has taken all the steps that he/she ought to have taken as a member in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditor

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the Yorkshire Housing Limited Annual General Meeting.

On behalf of the board



Guy Millichamp  
Director

19 August 2019

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

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## Directors' Report (continued)

### Corporate Governance Statement

The Company has a listed security in issue and is required to comply with the applicable sections DTR7.1 and DTR7.2 of the Financial Conduct Authority ("FCA") handbook.

#### The Board

The Board comprises up to three board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company. Any member or members holding a majority in nominal amount of issued ordinary share capital may at any time appoint any person to be a director. The directors on the board are detailed on page 4.

#### Committees

The Board was supported by the Yorkshire Housing Risk & Assurance Committee (RAC). The RAC is made up of five members and meets formally four times a year. The RAC has the responsibility for the detailed review of the Company's financial statements, the review of the effectiveness of the system of internal control, and the appointment of its internal and external auditors, including the agreement of the scope of their work and the review of their reports. The Board obtains external specialist advice from time to time as necessary. Members of the RAC are as follows: Philip Severs (Chair), Nina Cuckow, Alison Hadden, Kevin Brady (appointed 26 September 2018) and Kay Dickinson (appointed 26 September 2018), Lish Harris and Philip Johnson were also RAC members during the year, both resigned 26 September 2018.

The Board met on 25 July 2018 and included Mervyn Jones (Chair – resigned 21 December 2018), David Bolton and Guy Millichamp.

#### Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Company is ongoing and has been in place throughout the period from 1 April 2018 up to the date of approval of the report and financial statements. The Company does not have any employees and therefore adopts the diversity policy of Yorkshire Housing Group when and if required.

#### Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the Board across the Yorkshire Housing Group. It is supplemented by regular reviews by internal audit who provide independent assurance to the Board, via RAC. The arrangements include a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues.

#### Capital structures

At the date of this Report £50,000 ordinary shares of £1 each have been issued. At the year end, the shares remain partly paid at £0.25 per share. The shares provide a right to vote at general meetings. All of the shares in issue are held by Yorkshire Housing Limited, there are no special rights attached to the shares.

#### Financial reporting

The Board specifically monitors the financial reporting process and the statutory audit of the annual accounts through reports provided by management. Furthermore, the Board reviews and monitors the independence of the statutory auditor and considers the relationship with the Group as part of its assessment. This is monitored within the Yorkshire Housing Group Board meetings which consider the relationship with the statutory auditor and all group subsidiaries. At each Company Board meeting Directors review whether the existing internal controls in relation to the financial reporting system are sufficient and take appropriate action as necessary. The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant during the course of its review of the systems of internal control. The Board considers the existing internal controls to be sufficient and does not consider there to be a requirement for a specific Yorkshire Housing Finance Plc Internal Audit function as the Yorkshire Housing Group Internal Audit function provides sufficient support and expertise. The requirement for a dedicated Internal Audit function is considered annually.



# Yorkshire Housing Finance Plc

**For the year ended 31 March 2019**

## Independent auditor's report to the members of Yorkshire Housing Finance Plc

### Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Yorkshire Housing Finance Plc (the 'company') for the year ended 31 March 2019, which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position 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 Financial Reporting Standard 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 2019 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 listed 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.

#### Overview of our audit approach



- Overall materiality: £1,400,000, which represents 1% of the company's total assets;
- There were no key audit matters identified during the course of the audit; and
- We undertook a full scope audit of the financial statements of the company. There were no changes in the scope of the audit from the prior year.

### 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) that we identified. These matters included those that had the greatest effect on: the

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Independent auditor's report (continued) Key audit matters (continued)

overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These 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 have determined that there are no key audit matters to communicate in our report.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

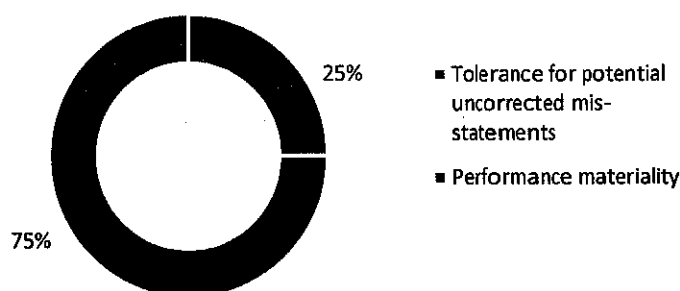
We determined materiality for the audit of the financial statements as a whole to be £1,400,000, which is 1% of the company's total assets. This benchmark is considered the most appropriate because the company is a listed debt entity and its primary purpose is to provide long term external finance to the Yorkshire Housing Group.

Materiality for the current year is the same as we determined for the year ended 31 March 2018.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

### Overall materiality



We determined the threshold at which we will communicate misstatements to the Risk and Assurance committee to be £70,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile. Our audit approach in the current year is consistent with the audit approach adopted for the year ended 31 March 2018, being predominantly substantive in nature.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

# Yorkshire Housing Finance Plc

**For the year ended 31 March 2019**

## Independent auditor's report (continued)

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and sector in which it operates. We determined that the following laws and regulations were most significant: FRS102 and Companies Act 2006
- We understood how the company is complying with those legal and regulatory frameworks by, making inquiries to the management, internal auditors and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted that did not meet our expectations based on the nature of the company;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA rules.

# Yorkshire Housing Finance Plc

**For the year ended 31 March 2019**

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## Independent auditor's report (continued)

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA rules.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Risk and Assurance Committee on 14 September 2016. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years.

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 Risk and Assurance committee.

# Yorkshire Housing Finance Plc

*For the year ended 31 March 2019*

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## Independent auditor's report (continued)

### Use of our report

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



Andrew Wood  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Leeds

**22 August 2019**

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Statement of Comprehensive Income

	Note	2019 £'000	2018 £'000
Turnover		72	72
Cost of sales		(72)	(72)
<b>Operating result</b>	3	-	-
Interest receivable and similar income	4	5,825	5,823
Interest payable and similar charges	5	(5,825)	(5,823)
<b>Profit before tax</b>		-	-
Tax on profit on ordinary activities	6	-	-
<b>Profit for the financial year</b>		-	-

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements. The Company has no other comprehensive income other than that passing through the statement of comprehensive income.

## Statement of Changes in Reserves

	Income and expenditure reserve £'000	Share capital £'000	Total £'000
Balance at 31 March 2017	-	50	50
Total comprehensive income for the year	-	-	-
Balance at 31 March 2018	-	50	50
Total comprehensive income for the year	-	-	-
<b>Balance at 31 March 2019</b>	-	<b>50</b>	<b>50</b>

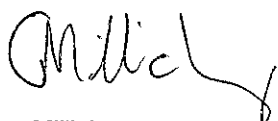
# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Statement of Financial Position

	Note	2019 £'000	2018 £'000
<b>Current assets</b>			
Debtors: amounts falling due within one year	8	2,427	2,389
amounts falling due after more than one year	8	137,613	137,601
Cash at bank and in hand	9	13	13
		<u>140,053</u>	<u>140,003</u>
Creditors: amounts falling due within one year	10	(4,190)	(4,262)
		<u>135,863</u>	<u>135,741</u>
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	10	(135,813)	(135,691)
		<u>50</u>	<u>50</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up Share capital	12	50	50
Profit and loss account		-	-
		<u>50</u>	<u>50</u>
<b>Total shareholders' funds</b>			

The accompanying notes form part of these financial statements. The financial statements on pages 11 to 20 were approved by the Board of Directors on 19 August 2019 and signed on its behalf by:



Guy Millichamp  
Director

Yorkshire Housing Finance Plc

Company registration No 09227343  
(England and Wales)

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

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## Notes to the Financial Statements

### 1. Legal status

Yorkshire Housing Finance Plc is a public limited company, incorporated on 19 September 2014 and registered in England and Wales, registered number 09227343. The Company is registered under the Companies Act 2006 and has listed debt on the London Stock Exchange. The registered office is Dysons Chambers, 12-14 Briggate, Leeds, England, LS1 6ER.

The principal activity of the Company is to provide long term external finance to Yorkshire Housing Group. Within the Group there are two limited companies and one registered social housing provider.

To issue bonds on the London Stock Exchange to the public there is a legal requirement that the issuer is a public limited Company. Yorkshire Housing Finance Plc was incorporated on 19 September 2014 as a subsidiary of Yorkshire Housing Limited and registered as a Plc on 7 October 2014. The financial statements are presented in sterling (£), which is also the functional currency.

### 2. Principal Accounting policies

#### Basis of accounting

The financial statements of the Company have been prepared in compliance with Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

#### Disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS102:

- To include a statement of cash flows, on the basis that it is a wholly owned subsidiary of Yorkshire Housing Limited.

#### Going concern

The Company is a vehicle for raising debt finance for the Group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements the Company is dependent upon Yorkshire Housing Limited to whom the Company has on lent the proceeds of the bond as per the terms of the on-lending agreement. Yorkshire Housing Finance Plc currently represents a net current liability due to amounts owed to the Group undertakings. The Directors have obtained confirmation that these amounts will not be called unless the Yorkshire Housing Finance Plc has sufficient funds. Yorkshire Housing Limited has in place long term business plans which demonstrate the ability to meet all of its obligations.

On this basis the board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt a going concern basis in preparation of its financial statements. Yorkshire Housing Finance Plc's creditor position is in line with Yorkshire Housing Group's long term financial plan and is not understood by the Board to reflect financial duress.

#### Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experiences, knowledge and practice, in addition to expectations of future events which are reasonable under the circumstances.

In preparing the financial statements management are required to make significant judgements and estimates. The items in the financial statements where accounting estimates and assumptions have been made include:

#### a. Categorisation of the bond

Basic/non basic debt categorisation of the bond— the Company has a listed bond, interest on the bond is on a fixed rate basis. The bond meets the definition of basic under section 11 of FRS 102.

#### b. Categorisation of loans

Basic/non basic debt categorisation of loans to group undertakings - the amounts on lent to the group are on the same terms of the bond. The amounts meet the definition of basic under section 11 of FRS 102.



# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

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## Notes to the Financial Statements (continued)

### 2. Accounting policies (continued)

#### Turnover

Turnover relates to the recharge of finance costs associated with the bond which are reclaimed from Yorkshire Housing Limited. These are the Bond issue costs, which are amortised over the life of the Bond. It is recognised as turnover in the period in which it is received.

#### Interest receivable and payable

Interest (receivable and payable) is recognised on an accruals basis using the effective interest rate method and recognised in the Statement of Comprehensive Income over the life of the associated financial instrument.

#### Bond issue costs

Costs incurred on the issue of the bond finance are recorded as a deduction from the gross proceeds of the loan and included in Creditors greater than one year. The costs are amortised to the Statement of Comprehensive Income over the term of the loan on a straight line basis.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where 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 have occurred at the Statement of Financial Position date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. Deferred tax is measured on an undiscounted basis.

#### Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

#### Financial instruments

All Financial Instruments meet the criteria of a basic financial instrument as defined in section 11 FRS102. Financial instruments are held in the Statement of Financial Position at gross proceeds less the cost of raising the funds which are amortised over the life of the loan and are accounted for in accordance with FRS102.

The financial instruments are initially recorded at amortised cost, adjusted for transaction costs, discounts or premiums on issue. Subsequent measurement is as follows:

##### Financial liabilities:

- Bonds are classified as "financial liabilities" under FRS102 and are held at amortised cost using the effective interest rate method to allocate costs of issue, including the discount on issue.
- Accrued interest payable on the Bond is also classified as "other financial liabilities" and held at amortised cost.

##### Financial assets:

- Loans advanced to Yorkshire Housing Limited are classified as financial assets measured at amortised costs under FRS 102 and are held at amortised cost using the effective interest rate method to allocate cost of issue, including the discount on issue.
- Accrued interest receivable on loans advanced to Yorkshire Housing Limited is classified as "loans receivables" and held at amortised cost as debtors due within one year.

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Notes to the Financial Statements (continued)

### 2. Accounting policies (continued)

#### Financial instruments (continued)

There is no significant difference in the Group between the carrying value and the fair value of the Company's financial asset and liabilities.

Loan finance issue costs are written off evenly over the expected minimum life of the associated loan. Loans are stated in the Statement of Financial Position at the gross amount less the unamortised portion of the associated issue costs.

### 3. Operating result

Audit fees amounting to £11k (2018: £8k) are paid by Yorkshire Housing Limited for which there is no recharge.

Turnover and cost of sales relate to finance costs associated with the bond, which are reclaimed from Yorkshire Housing Limited. These are the Bond issue costs amortised over the life of the Bond.

### 4. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable and similar income from Group undertakings	5,825 =====	5,823 =====

### 5. Interest payable and similar charges

	2018 £'000	2018 £'000
Interest payable on bond finance	5,825 =====	5,823 =====

### 6. Tax on profit/loss on ordinary activities

The results do not give rise to a tax charge (2018: nil).

### 7. Directors and employees

The Company did not employ any staff during the year (2018: nil).

None of the directors received any remuneration during the financial year in respect of their services as directors of the Company.

### 8. Debtors

	2019 £'000	2018 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	2,427 =====	2,389 =====
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	137,613 =====	137,601 =====

As at 31 March 2019 the Company had on-lent 100% of the receipts from the bond to Yorkshire Housing Limited. The intercompany borrowings have a financial guarantee from Yorkshire Housing Limited which is secured by a first fixed charge over property assets with a value in excess of total borrowings.

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Notes to the Financial Statements (continued)

### 8. Debtors (continued)

Yorkshire Housing Limited has sufficient net assets and facilities in place to meet their obligations to the Company as they fall due, the directors consider the credit risk to be low and no provision is made against the amount due.

Interest is due semi-annually on 3 November and 3 May each year with a final maturity date of 31 October 2044. The effective interest rate is 4.233% before the amortisation of the discount on the issue of the bond is recharged.

The credit risk as at 31 March 2019 is £140m which represents the total amount of funds raised from external bond holders through the bond issuance plus accrued interest. This risk is mitigated through several factors; housing assets held as security against the loan, the overall creditworthiness of the group and the guarantees issued by Yorkshire Housing Limited through an inter-Company loan agreement.

### 9. Cash at bank and in hand

	2018 £'000	2018 £'000
Cash at bank	13	13
	-----	-----
	13	13
	=====	=====

### 10. Creditors

#### Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amount due to bond holders	2,389	2,389
Amount due to group undertakings	1,801	1,873
	-----	-----
	4,190	4,262
	=====	=====

The amount due to group undertakings represents interest owed to the parent less costs incurred on behalf of Yorkshire Housing Finance plc.

#### Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Amount due to bond holders	140,000	140,000
Less amortised discount on issue	(2,349)	(2,399)
	-----	-----
	137,651	137,601
Less bond issue costs	(1,838)	(1,910)
	-----	-----
<b>Total</b>	<b>135,813</b>	<b>135,691</b>
	=====	=====
Unamortised cost of issue (see note below)	2,155	2,155
Amortised to date	(317)	(245)
	-----	-----
	1,838	1,910
	=====	=====

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Notes to the Financial Statements (continued)

### 10. Creditors (continued)

On the 31 October 2014 the Company issued £140m 4.125% subordinated guarantee bonds ("the bonds"), which are due to mature 31 October 2044. These bonds are guaranteed by defined assets within Yorkshire Housing Limited.

The Company placed £140m bonds at an issue price of 98.175% giving an effective yield of 4.233%.

The proceeds of £137,445k before deduction of costs associated with the issue of the bonds and after the deduction of the discount of £2,555k was then on lent to Yorkshire Housing Limited at the same interest rate. The bond issued by Yorkshire Housing Finance Plc is listed on the London Stock Exchange.

The borrowings have a financial guarantee from Yorkshire Housing Limited which is secured by a first fixed charge over property assets with a value in excess of total borrowings.

The financial assets and liabilities have fixed interest rates, which result in interest receivable matching interest payable. As such the Company has managed its interest rate risk. The underlying instruments are denominated in sterling and carry no foreign exchange risk. The Company's finances are actively managed in conjunction with the activities of the Group to ensure that there are sufficient funds available to meet liabilities as they fall due, which together with the undrawn £60 million and the guarantees over property assets in Yorkshire Housing Limited, mitigate any liquidity risk that the Company may face.

All costs relating to the bond issue have been deferred and are amortised over the life of the bond.

### 11. Financial instruments

	2019 £'000	2018 £'000
<b>Financial assets</b>		
Financial assets measured at amortised cost	140,000 =====	140,000 =====
<b>Financial liabilities measured at amortised cost</b>		
Other interest bearing loans and borrowings	135,813 =====	135,691 =====

#### Interest rate risk

The interest rate risk profile of the financial liabilities at 31 March 2019 was as follows:-

	2019 £'000	2018 £'000
<b>Fixed rate financial liabilities</b>		
(£140m 4.125% dated subordinated guaranteed bonds)	140,000 =====	140,000 =====

	Weighted average fixed interest rate %	Weighted average period for which rate is fixed (years)
At 31 March 2019		
£140m dated subordinated loans	4.23	25.50

The financial assets and liabilities have fixed rates which results in them being matched. As such the Company does not bear any credit risk apart from the underlying credit risk to Yorkshire Housing Limited.

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Notes to the Financial Statements (continued)

### 11. Financial instruments (Continued)

#### Maturity analysis of financial liabilities

The maturity of funding is managed in conjunction with the profile of that of Yorkshire Housing Limited. The Yorkshire Housing Limited objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. As noted above, the £140m comprising the total of the Company's external debt matures in 25 years.

The maturity profile of the financial liabilities, based on expected maturity date, at 31 March was as follows:-

	2019 £'000	2018 £'000
In less than one year	-	-
In one to five years	-	-
In greater than five years	140,000	140,000

The following schedule shows the maturity analysis of the contractual cash flows of the financial liabilities, calculated on an undiscounted basis. The cash flows include the repayment of the principal amount together with the associated interest payments over the term of the financial liabilities.

	2019 £'000	2018 £'000
In less than one year	5,775	5,775
In one to five years	23,100	23,100
Between 5 and 25 years	115,500	115,500
After 25 years	151,550	157,325
	<u>295,925</u>	<u>301,700</u>
	=====	=====

#### Credit risk

All of the Company's capital markets financing proceeds are on lent to Yorkshire Housing Limited. The credit risk is alleviated through the housing assets security which underwrites the loan to Yorkshire Housing Limited.

#### Liquidity risk

The Company has lent the full amount of its drawn funds, thus fully offsetting its liabilities. The interest payable by the Company on its debt is fully offset by the interest receivable from Yorkshire Housing Limited.

### 12. Called up share capital

	2019	2018
50,000 ordinary shares of £1 each allotted; Issued and of which 25p per share has been paid	£50,000 =====	£50,000 =====
<b>Current Assets</b>		
Settled in cash	£12,500	£12,500
Debtors falling due within one year	£37,500	-
Debtors falling due after one year	-	£37,500
	<u>=====</u>	<u>=====</u>

Ordinary shares are classified as equity, the shares provide a right to vote at general meetings. The shares have been partly paid at 25p per share.

# Yorkshire Housing Finance Plc

For the year ended 31 March 2019

## Notes to the Financial Statements (continued)

### 13. Related parties

As the Company is a wholly owned subsidiary of Yorkshire Housing Limited the Company has applied the exemptions permitted under FRS102 and has not disclosed transactions entered into with wholly owned subsidiary undertakings. There are no other related party transactions.

### 14. Parent Company

The ultimate parent undertaking and controlling party is Yorkshire Housing Limited, a Company incorporated in the United Kingdom.

Yorkshire Housing Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2019. The consolidated financial statements of Yorkshire Housing Limited are available from Dysons Chambers, 12-14 Briggate, Leeds, West Yorkshire, LS1 6ER.

### 15. Financial assets and liabilities

The board policy on financial instruments is explained in the Directors' report as are references to financial risks.

<b>Financial Assets</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Debtors at amortised cost	140,040	139,990
Cash at amortised cost	13	13
	-----	-----
	140,053	140,003
	=====	=====
<b>Financial Liabilities</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Creditors at amortised cost	140,003	139,953
	-----	-----
	140,003	139,953
	=====	=====