Allia C&C

RCB Investor Update

November 2022

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About Allia C&C

Allia C&C is an advisor and arranger of funding for charities and responsible businesses. As a specialist finance firm in the Allia charitable group, it combines a passion for positive impact with deep understanding of debt capital markets.

The Allia C&C team was responsible for establishing the RCB platform in 2014 and act as sole arranger and distributor of RCB bonds.

Introduction

Purpose

RCB Bonds PLC ("RCB") is a bond issuing platform created by Allia to raise debt finance for charities and ethical companies through bonds listed on London Stock Exchange and traded on the Order book for Retail Bonds (ORB).

By issuing the bonds through a special purpose vehicle and lending on the proceeds, RCB allows borrowers to reach out to their natural supporters for amounts of £5 million or more, while allowing investors to trade the bonds in the secondary market.

RCB is governed by an independent board of directors, acting on a pro-bono basis, which reviews applications by appropriate, established organisations for loans. As a special purpose issuing vehicle, it has no employees and all management and administrative services are carried out under a services agreement by Allia Bond Services Limited (ABS), a wholly owned subsidiary of Allia C&C.

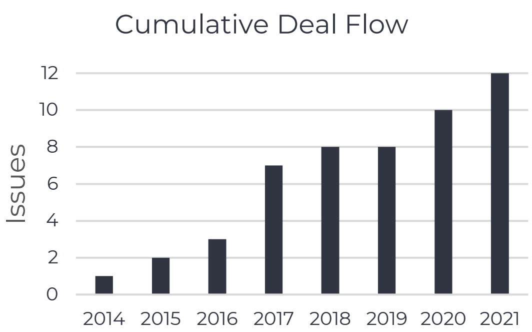
RCB is not a charity, but its articles do not permit any distribution of profits. The shares of RCB are principally held by RC Bond Holdings Ltd, an independent special purpose holding company. One special share is held by Allia Ltd, the parent of the Allia group and itself a charity, which provides that the articles of RCB cannot be changed without the consent of Allia Ltd.

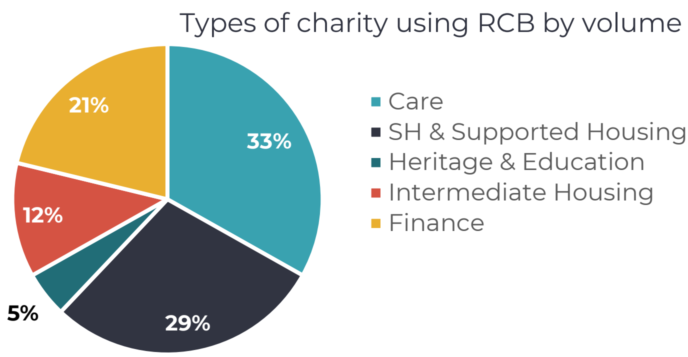
How it works

RCB issues the bonds in the name of the individual borrower and then lends the proceeds directly to the borrower (on corresponding terms). There is no cross collateralisation between each bond and loan, so no borrower takes credit risk on any other. This means investors depend on the individual borrower to service their bonds.

Performance

To date, RCB has issued over £375m of bonds through 12 issues for seven different charities that operate across five sectors.





This report provides a summary of the latest information from each borrower that has raised funding through RCB.

RCB Platform

The Board

RCB is governed by a board of directors with significant experience in the financial and social impact sectors. This independent board will review applications by organisations seeking loan finance to deliver strong social impact.

The Board has established three committees:

- The review committee, which considers and makes recommendations to the board regarding prospective borrowers.
- The audit committee, which considers matters in relation to any audit of RCB and the appointment of external auditors and makes recommendations to the board.
- A nomination committee, which will consider the appointment of directors of RCB.

Management (Servicer)

As a special purpose issuing vehicle, RCB has no employees, and all management and administrative services are carried out under a services agreement by Allia Bond Services Limited a subsidiary of Allia C&C. They include:

- Company Secretarial services
- Company accounting services
- Management of the RCB bank accounts
- Compliance reporting administration
- Ensuring borrowers are aware of their payment obligations under the terms of the loans
- Notifying RCB, the registrar, the agent and the Trustee of unpaid interest or early repayment
- Notifying RCB and the Trustee of any default under the terms of the loan
- Managing correspondence between the borrowers and RCB

Allia C&C, part of the Allia group, provides debt advisory and arranging services, and arranges the RCB bonds on behalf of borrowers. It also acts as lead manager on the new issues and supports secondary market trading for institutional investors.

Social Impact Statements

RCB was set up to provide capital for UK charities and ethical companies who want to increase their social impact. All of the borrowers deliver substantial social benefit to their communities. This is a key tenet of the RCB platform.

Under the terms of the RCB loan agreement, borrowers are required to publish an annual statement of social impact.

These are available on the RCB website at https://rcb-bonds.com/investors.

RCB has also received a second party opinion from S&P on its sustainable bond framework.

Key terms

- Proceeds from each issue of bonds are on-lent to the relevant borrower under a loan agreement.
- The terms of the loan agreement and the bonds are aligned – the borrower pays RCB two business days before bond payment dates, so pre-funding RCB's bond obligations.
- RCB's rights in respect of the loan agreements are charged as security and assigned to the Trustee for the benefit of bondholders.
- All bonds have an expected maturity date and a legal final date (n.b. all repayment dates quoted in this report are "expected maturity dates" unless stated otherwise).
- To date the loans have not been secured on any assets of the borrowers.
- Under the loan agreement borrowers are typically required to provide an unencumbered asset:debt covenant broadly along the following lines: the sum of the Uncharged Property Value, the Total Cash Amount and any Repayment Funds shall not be less than 130% of the Total Unsecured Debt of the borrower as determined by reference to its Financial Statements (for specific terms for each borrower see the relevant prospectus).
- There is also a "Most Favoured Lender" covenant, so if a borrower provides their unsecured lenders with a more beneficial covenant then that financial covenant will also be extended to the RCB loan.

Patrons

Allia

The RCB platform was developed by Allia Ltd, a charity and pioneer in social investment. Allia supports organisations dedicated to making a positive social impact with business support, affordable workspaces and access to finance.

The creation and operation of the platform have been made possible by the support of a range of other patrons who have provided significant assistance.

ALLEN & OVERY

BIG SOCIETY CAPITAL

BNY MELLON

BRYAN CAVE LEIGHTON PAISNER BCLP

COLUMBIA THREADNEEDLE INVESTMENTS

edentree

Linklaters

London Stock Exchange

M&G Investments

RATHBONES Established 1742

Directors

John Tattersall LVO Chair

John Tattersall is Chairman of the board of UK Asset Resolution and a non-executive director on the board of UBS Business Solutions AG. He is also Chair of one charity, a trustee of two others, a non-stipendiary priest in the Church of England and an Honorary Canon of Christ Church Cathedral in Oxford.

Clare Bates

Clare Bates is the General Counsel & Group Company Secretary of Vistry Group PLC, overseeing the legal, compliance, company secretarial, corporate governance, internal audit, risk management and data privacy functions. Before this she was Deputy General Counsel and Company Secretary of ConvaTec Group Plc. She is a qualified solicitor.

Amelie Busch

Amelie Busch is an Investment Director at Big Society Capital ("BSC"). Her role includes sourcing and transacting on investments across real estate, venture capital and debt investments, on behalf of Big Society Capital and the Schroder BSC Social Impact Trust plc.

Ian Coleman

Ian Coleman is currently a non-executive director or consultant to organisations in the banking, property, professional services, and health sectors. By background he led the global development of PwC's Valuation & Strategy practice for over eight years, and prior to this worked as an investment manager at 3i, a venture capital firm.

Gordon D'Silva OBE

Prior to his retirement Gordon started up and led numerous social businesses. He is the recipient of an honorary doctorate and professorship in business and was voted one of the UK's top seven social entrepreneurs by the Guardian in 2008. In 2011 he was awarded the Order of the British Empire for his contributions to social enterprise and was until recently UN Senior Advisor on Social Enterprise.

Tom Hackett Chair of the Transaction Review Committee

Tom Hackett is a member of the board of trustees of a number of UK charities and, prior to retirement, was Director General, Lending, at European Investment Bank.

Tim Jones

Tim Jones was Chief Executive of the Allia Group for 17 years from 2002 to 2019 and is now Chairman of Allia C&C. He is also Chairman of Treatt plc. Tim is a Member of the Chartered Institute for Securities and Investments (MCSI) and an Associate of the Chartered Insurance Institute (ACII).

Naomi Roper

Naomi Roper is a partner at Trowers & Hamlins LLP in their banking and finance team. She has over 17 years' experience acting for borrowers and lenders in the social housing finance sector with a particular specialism in debt capital markets transactions including bond issues and private placements. She was part of the working group that developed the Sustainability Reporting Standard for UK Social Housing.

Philip Wright Chair of the Audit Committee

Philip Wright is a director of Allia Ltd and a non-executive director of EuroEyes Limited, a quoted Hong Kong company specialising in laser eye and lens surgery and operating in Germany, the People's Republic of China and Denmark.

Issuance

Issuer	Date issued	Maturity	Coupon	Issue Size	Loan Amount	Retained Bonds	LSE ref.	ISIN
Golden Lane Housing[1]	Jul-14	Sep-21	4.38%	£11.0m	£11.0m	-	MCAP	XS1066485902
Golden Lane Housing	Nov-17	Nov-27	3.90%	£18.0m	£18.0m	-	MCP2	XS1713569629
Golden Lane Housing	Jul-21	Jul-31	3.25%	£15.0m	£11.0m	£4.0m	MCP3	XS2357539522
Hightown Housing Association	Apr-15	Apr-25	4.40%	£27.0m	£27.0m	-	HTOP	XS1200788369
Hightown Housing Association	Oct-17	Oct-27	4.00%	£38.0m	£31.5m	£6.5m	HT02	XS1695541299
Dolphin Living	Jun-17	Jul-26	4.25%	£45.0m	£25.0m	£20.0m	DSCF	XS1634535253
Greensleeves Homes Trust	Mar-17	Mar-26	4.25%	£50.0m	£50.0m	-	GSHT	XS1575974933
Greensleeves Homes Trust	Dec-20	Dec-30	5.00%	£25.0m	£25.0m	-	GHT2	XS2250730749
Belong Limited 2018	May-18	Jun-26	4.50%	£50.0m	£37.0m	£13.0m	BEL1	XS1821505259
Charities Aid Foundation	Mar-16	Apr-26	5.00%	£7.2m	£20.0m[2]	-[2]	CAF1	XS1386668591
Charities Aid Foundation	Nov-21	Oct-31	3.50%	£50.0m	£30.0m	£20.0m	CAF2	XS2408363278
The Alnwick Garden Trust	Mar-20	Mar-30	5.00%	£18.0m	£12.4m	£5.6m	AGT1	XS2132997433
Total				**£354.5m**	**£297.9m**	**£69.1m**		

The following pages set out a commentary on each of the RCB borrowers.

Financial data is drawn from their last financial statements, updated where appropriate with data published in any trading updates and announcements.

Ratios have been calculated by Allia C&C on the basis set out in Appendix 1.

[1] Issue has matured and been repaid to holders.

[2] CAF purchased £12.8m of the 2026 bonds on 9 December 2021. The bonds were surrendered for cancellation and the outstanding amount of the loan was reduced accordingly. The retained bonds were also cancelled. CAF issued £30.0m in part to pay for the £12.8m redemption

Charities Aid Foundation

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure	FY 2018	FY 2019	FY 2020[3]	FY 2021[4]	FY 2022
Donations & Legacies	£550.9m	£565.0m	£661.1m	£959.9m	£993.5m
Fee Income	£15.4m	£15.8m	£17.2m	£21.5m	£23.7m
Net Interest CAF Bank	£11.1m	£12.3m	£11.5m	£9.8m	£10.6m
Investment Income	£20.3m	£21.2m	£22.7m	£17.3m	£16.4m
Net Income (before investments)	£115.2m	(£12.0m)	£22.9m	£86.7m	£123.8m
Net movement in funds	£129.7m	£5.1m	(£20.6m)	£209.2m	£148.0m
Balance Sheet (excl. depositor accounts)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Balances at Bank of England	£47.0m	£47.8m	£44.4m	£42.6m	£42.7m
Loans to Banks - repayable on demand	£463.3m	£342.1m	£287.4m	£351.8m	£439.6m
Other Assets	£954.1m	£1,074.5m	£1,112.2m	£1,259.5m	£1,348.5m
External Debt	£20.0m	£20.0m	£20.0m	£20.0m[5]	£37.2m
Funds	£1,414.7m	£1,419.8m	£1,399.3m	£1,608.4m	£1,756.4m
Gearing	*1.4%*	*1.4%*	*1.4%*	*1.2%*	*2.0%*

Regulation

- Charities Aid Foundation (CAF) is a registered charity (reg. no. 268369) and is governed by a Declaration of Trust. This document defines the powers of trustees to achieve CAF's objectives and ensure sound management of the Group.
- CAF Bank (Company no. 01837656), a wholly owned subsidiary of CAF, is regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA).
- Capital requirement for CAF Bank is assessed and agreed with the PRA.

Purpose & Operations

- CAF is focused on encouraging efficient giving to charities. It does this in a variety of ways – generally allowing donors to gift funds to it, and claim the tax rebate from doing this, ahead of making any specific donation to a chosen charity (these form part of CAF's restricted funds). In this way, it assists all aspects of charitable giving from donors, businesses and charities.
- CAF was set up as an independent body in 1974 when it was spun out of the UK Government.
- CAF's activities are classified either Unrestricted or Restricted, and these are clearly separated in the financial statements.
- In 2022, it received donations of over £890m and had over £3.3bn of depositor accounts and trust funds.

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[3] 2020 Financial Statements were restated, with no change to the Net Movement in Funds.

[4] 2021 Financial Statements were restated, with no change to the Net Movement in Funds.

[5] As per the 2021 accounts – in December 2021 CAF purchased and surrendered £12.8m of the 2026 bonds, which reduced the outstanding balance of its £20m loan from RCB to £7.2m, and borrowed a further £30m from RCB through an issue of new bonds.

- The Unrestricted funds are those which the Trustees of CAF are free to use for any purpose in furtherance of CAF's charitable objects. Restricted funds are those to be used in accordance with specific instructions from donors.
- CAF has over 500 employees and operates throughout the world.
- CAF Bank is a wholly owned subsidiary of CAF and provides a range of financial services to charities. These range from offering current and deposit accounts to making loans. The bank's services are offered exclusively to charities.
- The funds drawn from the RCB facility are used for general corporate purposes.

Key Management

Sir James Leigh-Pemberton Chair

Neil Heslop OBE Chief Executive – CAF

Liz Rylatt Group CFO – CAF

Alison Taylor Chief Executive – CAF Bank

RCB Loans

£7.2m maturing in 2026 and £30.0m in 2031. There are £20.0m retained bonds unsold of the 2031 issue (the retained bonds of the 2026 issue were cancelled in December 2021).

Debt Portfolio

In December 2021 CAF borrowed £30m through an issue of new bonds which mature in 2031 and purchased £12.8m (out of £20.0m) of the 2026 bonds. The net impact was to increase the level of external debt to £37.2m – all borrowed from the RCB platform. The RCB loans represent a senior obligation of CAF that ranks ahead of any donor instructions for the funds held by CAF.

Financial Performance

- The CAF Group does not have any other material operating businesses except for CAF Bank; CAF receives donations which are paid out over time to other charities nominated by the donors (the Restricted Funds). The outflow is limited to the donations received.
- CAF does not benefit from any investment gains on customer accounts – nor has any liability for losses on them. However, it needs to account for these movements in the financial statements.
- In 2022, CAF recorded a "Net movement in funds" of £148.0m, down from a £209.2m in 2021.
  - Total Income increased by over £36m to £1,044m in 2022, an increase of 4%
  - Donations increased to £890m from £826m in 2021
  - Gain of £6.5m in the value of its financial investments (2021: investment gain of £130.9m)
  - Fee income increased to £23.7m (2021: £21.5m) which is a revenue CAF is focused on growing
- The Group's overall balance sheet is very strong with significant liquidity available to cover the £37.2m of external debt from RCB. There are:
  - Restricted funds of over £1.7bn which, on behalf of donors, have been invested across a number of financial investments. Investments include £707m deposited with banks, of which £382m is repayable on demand.
  - Unrestricted funds of £77m, which have been invested in deposits with the Bank of England (£41m) and deposits with Banks (£58m), repayable on demand.

Debt Cover	
Total Unencumbered Assets	£1,825.0m
Unsecured Senior Debt	£32.7m
% Cover	**5,581%**

- In meeting the obligations of the RCB loan, both the restricted and unrestricted funds can be accessed.

- Traditionally, CAF Bank has made profits which are then distributed by way of Gift Aid to CAF.
- In 2022 no Gift Aid payment was made; for the 2016 to 2020 financial years £15.9m had been paid as Gift Aid.

Credit Considerations

- At March 2022, the only external debt is the RCB loans of £37.2m which are repayable in 2026 and 2031. There are over £1.8bn of assets to meet debt obligations, with £482m invested in assets that can be redeemed on demand.
- In 2022, CAF received over £992m in donations and legacies, making it one of the largest charities in the UK.
- CAF Bank benefits significantly from the financial strength and viability of the overall CAF Group.
- At March 2022, CAF Bank had extended facilities of c.£185.5m (drawn £162.9m) and all lending was secured.

Social Impact

CAF made a significant social impact in 2022, with a particular focus on providing grants, with over £876m provided to charities around the world, including:

- Disaster's Emergency Committee appeal for Ukraine - raising more than £31m (across UK and USA)
- CAF Resilience Fund – supporting charities on the frontline of the Covid pandemic, with a focus on those with a disability, young adult and Black & Asian minorities
- CAF Bank and its focus on servicing the charity sector - £1.5bn of deposits and with committed lending facilities of £185.5m

Latest social impact report >

Dolphin Square Charitable Foundation

Dolphin Living

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure[6]	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover	£8.1m	£9.2m	£9.0m	£11.7m	£11.8m
Operating Surplus	£2.7m	£3.7m	£3.5m	£4.0m	£5.0m
Interest Payable	(£3.1m)	(£1.8m)	(£1.8m)	(£3.7m)	(£3.9m)
Surplus after Tax	£0.2m	£2.4m	£1.9m	£0.6m	£1.7m
EBITDA	*£4.0m*	*£5.0m*	*£5.0m*	*£6.4m*	*£6.6m*
Operating Margin %	*49%*	*54%*	*55%*	*54%*	*56%*
Interest Cover	*1.6x*	*3.8x*	*3.1x*	*1.7x*	*1.7x*
Balance Sheet	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fixed Assets at Cost	£216.5m	£244.1m	£255.0m	£258.7m	£258.7m
Cash & Cash Investments	£44.1m	£30.6m	£19.1m	£16.8m	£18.2n
Total Debt	£99.4m	£107.2m	£107.1m	£108.7m	£108.6m
Total Reserves	£161.6m	£164.1m	£166.0m	£166.7m	£168.4m
Net Gearing	*26%*	*31%*	*34%*	*36%*	*35%*
Net Debt to EBITDA	*13.8x*	*15.2x*	*17.8*	*14.4x*	*13.7x*
Owned Properties	629	631	660	798	791
Under Construction	2	29	141	10	31

Regulation

- Dolphin Square Charitable Foundation (DSCF) is an unincorporated trust and a registered charity (reg. no. 1110090).
- DSCF is not a registered landlord although its subsidiary Dolphin Living is. As a result, it does not operate within the regulatory framework set by the Regulator Social Housing.
- DSCF meets its charitable objectives by letting the majority of its properties at sub-market rents to
  - people in inner London on low incomes
  - who will most fully occupy each home.
- Rents are set at a percentage of tenant income to ensure they are affordable – while sufficient to cover the costs of the charity.

Purpose and Operations

- DSCF was created in 2005 when the Dolphin Square Trust and Westminster City Council sold their leasehold interest in Dolphin Square, a large residential garden square in Pimlico, Central London built in the 1930s. It was agreed the proceeds from the sale would provide the initial

[6] The Income and Expenditure report has been amended to better represent operating performance; therefore, EBITDA excludes sale of fixed assets, investment income & finance costs.

funding for DSCF. The Trust made an initial gift aid payment of £80 million, and with additional payments brought the total endowment to £124 million.

- At March 2022, DSCF owned and managed 791 residential properties across Greater London with a focus on Westminster (about 40%).

Growth & Development Ambitions

- At March 2022, DSCF had not delivered any new properties during the financial year.
- The development pipeline has 315 residential properties identified, with 31 under construction - the largest scheme being the "New Era" estate in Hackney which obtained planning in July 2020 to develop 199 new homes.
- The new 3-year strategy includes an ambition to develop 200 new homes by 2024.
- Historically, the development programme has operated without sales income or capital grants to subsidise the rented developments. The 2022 financial statements mention that there will be a planning application in Summer 2022 for the New Era development to alter the tenure mix from build to rent to market sale for 102 homes.

Key Management

Andrew Giblin Chair

Olivia Harris Chief Executive

Gary Preston Finance Director

Octavia Williams Operations and Compliance Director

RCB Loans

£25.0m maturing in 2026. There are £20.0m of retained bonds unsold.

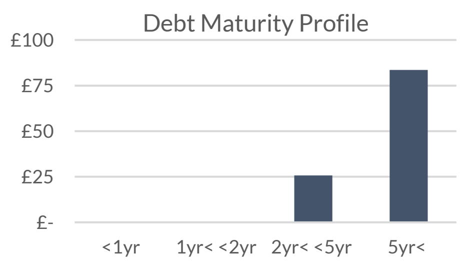
Debt Portfolio

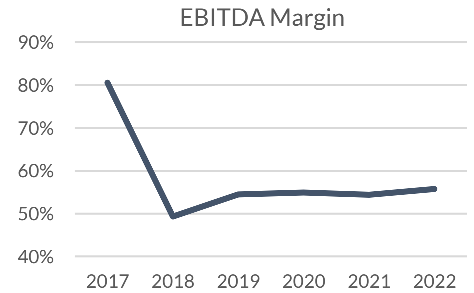
- At March 2022, DSCF had drawn debt of £109m of which £25m is from RCB.
- The debt maturity profile is long – most of it is not due for repayment until after 2040.
- Liquidity is £7.9m in investments (cash equivalents) and £10.3m of cash.

Financial Performance

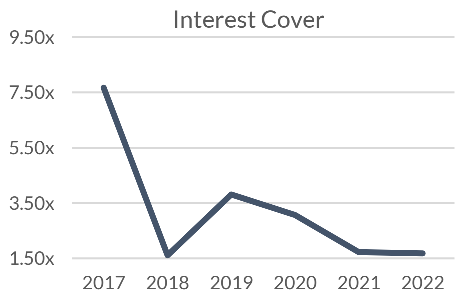
- Financial results have been strong over the last four years with a stable operating business and no reliance on property sales.
- DSCF achieved an EBITDA of £6.6m in 2022, an improvement on 2021's EBITDA of £6.4m.
  - EBITDA margins over 50% for the last four years
  - Addition of properties in 2021, and the full year's rental income they generated, is the stated reason for the increase in EBITDA
- DSCF is moderately geared, with £109m of drawn debt versus £259m of property assets at historic cost. These ignore any increases in the underlying market value of the properties.

Loan Profile - March 2022	
Within one year	£ 0.2
In one year or more but less than two years	£ 0.2
In two years or more and less than five years	£ 25.6
In five years or more	£ 83.5
Total	£109.5m
Fixed Rate	*95%*
Floating Rate	*5%*



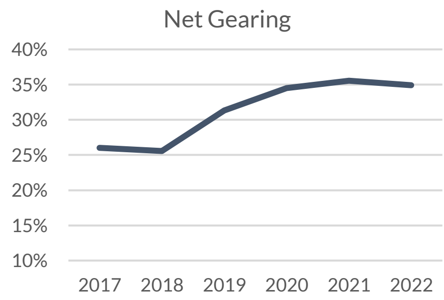


- While total debt has not increased, as liquidity has been deployed the Net Gearing has increased to 35%.
- The level of debt would appear to be consistent with an organisation developing social housing in Central London.



Credit Considerations

- DSCF is unusually heavily capitalised for a charity but as a small organisation, with a reasonably sized development programme, it is exposed to some degree of development risk.
- DSCF looks to have managed risk reasonably well and the credit is underpinned by:
  - Almost £18m of liquidity with contracted commitments of £13m.
  - A low-risk business model - providing a subsidised rental product in a market with almost limitless demand.
  - A central London property portfolio, located in areas of strong value.
  - A majority of short tenancies with an initial three-year term ensuring flexibility to manage stock and liquidity.
  - Development programme that is not reliant on property sales at all (see below).



- However, there are risks that will need to be monitored in future years.
  - If, as mentioned, DSCF is going to enter the built for sale market then this will have a significant impact on its risk profile.
  - While it should be a manageable risk, the RCB bonds are now due for refinancing within 5 years.
- The number of uncharged properties is unknown, but the table (right) highlights that DSCF appears to meet the 130% asset cover test for RCB bonds without including any of the existing completed properties. The completed properties total £239.4m.
- Moving forward the development ambitions (c200 units by 2024) look to be within the capacity of the organisation.

Debt Cover[7]	
Uncharged Assets	
Cash	£10.3m
Investments	£7.9m
Work in Progress	£19.3m
Total	**£37.5m**
RCB Bond	£25.0m
% Cover	**150.0%**

Social Impact

DSCF's founding objectives were to help secure accommodation in Westminster or elsewhere in Greater London for those in housing need who:

- by virtue of their employment in the public, voluntary or private sectors provide important social, economic, environmental political services, and cannot afford normal commercial rents, or
- more generally face poverty, deprivation or disadvantage.

[Latest social impact report >]

[7] Estimation of asset cover compliance from the 2022 financial statements.

Golden Lane Housing

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover	£15.6m	£17.3m	£20.7m	£22.7m	£25.5m
Operating Surplus	£3.9m	£4.1m	£4.1m	£4.8m	£3.7m
Interest Payable	(£2.0m)	(£2.1m)	(£2.1m)	(£2.2m)	(£2.2m)
Surplus after Tax	£2.1m	£2.4m	£2.4m	£3.5m	£1.7m
EBITDA	*£4.7m*	*£4.9m*	*£4.9m*	*£5.8m*	*£4.6m*
EBITDA %	*30%*	*28%*	*24%*	*25%*	*18%*
Interest Cover	*2.3x*	*2.4x*	*2.3x*	*2.6x*	*2.1x*
Balance Sheet	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fixed Assets at Cost	£93.7m	£98.8m	£106.9m	£111.3m	£117.0m
Cash	£7.0m	£8.6m	£8.6m	£12.8m	£8.7m
Total Debt	£48.0m	£51.6m	£54.2m	£56.4m	£56.0m
Total Reserves	£30.7m	£33.2m	£35.5m	£39.1m	£40.7m
Net Gearing	*44%*	*44%*	*43%*	*39%*	*40%*
Net Debt to EBITDA	*8.8x*	*8.8x*	*9.3x*	*7.6x*	*12.1x*
Managed Properties	**840**	**955**	**1,093**	**1,197**	**1,270**

Regulation

- Golden Lane Housing Ltd (GLH) is a company limited by guarantee, incorporated under the Companies Act 1985 (reg no. 3597323) and is registered with the Charity Commission (charity no. 1071097).
- GLH is registered with the English Regulator of Social Housing (RSH) (Reg. Social Landlord No. 4803).
    - The RSH performs a number of functions, including grading and publishing Regulatory judgements across Governance & Financial Viability.
- GLH had its regulatory judgements confirmed in April 2022 by the RSH at G1 (Governance) and V1 (Viability) – the highest levels for both.
- In September 2021, GLH converted to a Community Benefit Society and is now an exempt charity.

Purpose and Operations

- GLH was established as an independent subsidiary of the Royal Mencap Society in 1998 with a mandate to assist those with learning disabilities to find suitable homes.
- On 1 April 2022, GLH de-merged from Mencap and became a standalone housing association.
- At March 2022, GLH owned and/or managed 1,270 properties across England, Wales and Northern Ireland, providing 2,477 tenancies for people with learning disabilities.
- Operations are almost exclusively focused on Supported Housing Activities, with only five market rented properties and the only property sales are for those properties where GLH's services are no longer required.

Growth & Development Ambitions

- In 2022, GLH increased the number of tenancies by 232; either by:
  - acquiring & modifying properties - GLH spent £7.3m in 2022 on the acquisition of new properties, or
  - entering into leases with private landlords.
- GLH has stated it intends to spend £50m over the next five years on the development and acquisition of new stock and £9m on maintaining and improving existing stock.
- GLH generally leases properties from Local Authorities and care providers, although there are some private landlords.
- There are no index-linked long-term leases, with the average lease arrangement being 3-years. In the majority of cases, the risk on the lease is limited as GLH simply receives a management fee on the property or can hand it back, if no longer required.

Key Management

Neil Hadden Chair

John Verge Chief Executive

Marilyne Davis Finance Director

Melissa O'Donnell Director of Operations

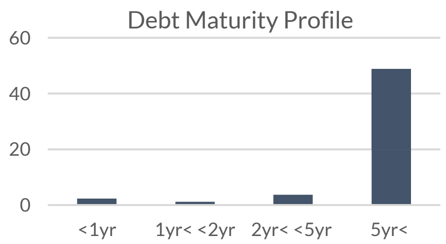
RCB Loans

£18.0m maturing in 2027 and £11.0m maturing in 2031. There are £4.0 retained bonds unsold from the 2031 issue.

Debt Portfolio

- At March 2022, GLH had borrowed £27.0m from a number of high street banks and £29m from RCB.
- The majority (85%) of the debt portfolio is repayable after 5 years.
- Liquidity is provided by £15.0m of undrawn committed loan facilities and £9m of cash. GLH has committed contracted expenditure of £1m and £7m of lease payments due in 2023.
- The loans from the banks and building society are secured by legal charges on individual properties. The RCB bonds are unsecured, and under the terms of the RCB document GLH must meet a 1.3x Net Asset to Loan Covenant. In 2022 Net Asset cover was 2.4x.

Loan Profile - March 2022	
Within one year	£2.3m
In one year or more but less than two years	£1.1m
In two years or more and less than five years	£3.7m
In five years or more	£48.8m
Total	**£56.0m**

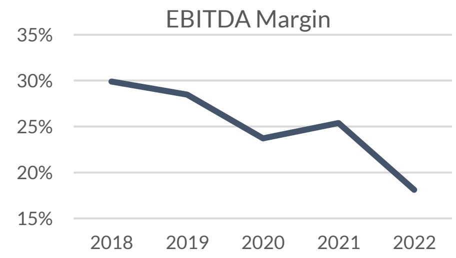


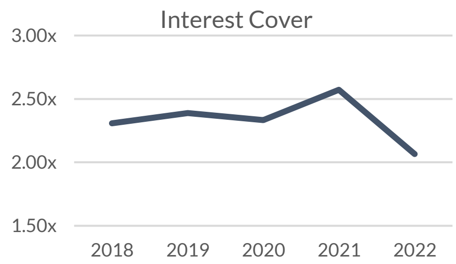
Debt Cover	
Net Assets	£40.7m
Less Restricted Reserves	(£0.5m)
Bonds	£29.0m
Total	**£69.3**
RCB Bond	£29.0m
% Cover	**238.8%**

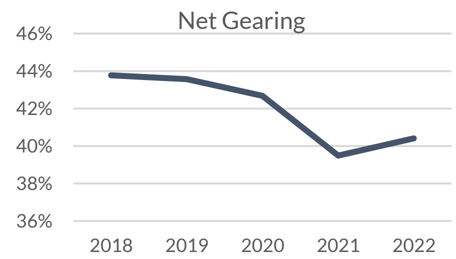
Financial Performance

- The Operating Margin has fallen in 2022 to 18%, continuing a trend over the last five years.
- In 2022, GLH achieved an EBITDA of £4.6m (2021 £5.8m).
- The 2021 result may have been flattered by the impact of Covid on maintenance (many social housing providers achieved strong results in 2021 due to reduced maintenance spending) but generally the 2022 results look to have fallen. Social housing turnover increased by £2.8m, while operating costs increased by £3.9m.

- There have been increases in the maintenance and management costs. The latter could be part of the cost of moving to an independent structure and replacing the services previously supplied by Mencap.
- Leased properties have a lower return – due to the leasing payments made to owners. There has been a rise in the number of leased properties which has therefore lowered operating margins.
- Interest cover has been strong, remaining over 2x for the last five years.
- Balance sheet suggests that GLH has a moderate level of debt, given the size of the acquisition programme and the modification spending required to make properties suitable for residents.
- GLH had drawn £56m of debt (£9m cash) against £117m of property assets.







Credit Considerations

- With the de-merger completed, GLH will no longer have the support, or the brand awareness of Mencap, which may impact on the ability to raise funds (debt and donations). It may also have a detrimental impact on operating costs, as management costs may be higher under the new independent structure.
- GLH and Mencap have declared that both organisations will continue to work closely together in a new partnership arrangement that supports new housing solutions and each other's strategic plans.
- The increasing number of leased properties has reduced operating margins but there is limited leasing risk with GLH able to hand back most properties within 3 years.
- GLH has consistently achieved strong financial results and shown an ability to take on and manage acquisition and adaptation of new properties.
- GLH has traditionally forward funded development activities and maintained high levels of liquidity.

Social Impact

Golden Lane Housing operates in a market where the demand for supported housing outstrips supply. It meets a strong need for housing in the community – with high quality properties adapted to the requirements of the tenants and designed to provide a good environment for them.

[Latest social impact report >]

Hightown Housing Association

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover	£69.4m	£84.7m	£85.5m	£90.1m	£103.9m
Operating Surplus	£22.0m	£26.1m	£25.5m	£26.6m	£31.0m
Interest Payable	(£8.1m)	(£10,8m)	(£11.8m)	(£11.3m)	(£13.6m)
Surplus after Tax	£18.3m	£14.0m	£20.5m	£13.6m	£23.0m
EBITDA	*£26.1m*	*£31.1m*	*£31.2m*	*£33.0m*	*£38.9m*
EBITDA %	*38%*	*37%*	*36%*	*37%*	*37%*
Interest Cover	*3.3x*	*2.9x*	*2.7x*	*2.9x*	*2.9x*
Balance Sheet	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fixed Assets at Cost	£590.5m	£679.5m	£778.9m	£853.1m	£942.9m
Cash	£21.9m	£52.0m	£38.3m	£20.9m	£25.9m
Total Debt	£358.0m	£448.8m	£509.9m	£545.6m	£614.8m
Total Reserves	£117.1m	£131.2m	£151.7m	£165.3m	£188.3m
Net Gearing	*57%*	*58%*	*61%*	*62%*	*62%*
Net Debt to EBITDA	*13x*	*13x*	*15x*	*16x*	*15x*
Owned Properties	5,841	6,237	6,678	7,086	7,663
Under Construction	1,083	811	879	936	882

Regulation

- Hightown Housing Association (HHA) is a community benefit society (reg no. 18077R) and an exempt charity. It is registered with the English Regulator of Social Housing (RSH) (Reg. Social Landlord No. L2179). See p.14 for a description of the RSH's functions.
- HHA has regulatory judgements of G1 (Governance) and V1 (Viability) the highest levels for both.

Moody's Credit Rating

- In January 2022, HHA had its A3 rating affirmed by Moody's Investor Services (Moody's) now A- (neg).
- Their generalised view of the strengths and challenges are shown below:[8]

Credit strengths	**Credit challenges**
▶ Strong & stable operating margins	▶ Debt levels are high and forecast to increase
▶ Simple Group Structure	▶ Social Housing interest cover is expected to weaken
▶ Supportive institutional framework	▶ Debt management is open to risk

- While positive, Moody's placed limited weight to the location and latent value of HHA's housing stock.

[8] Shown from the 2021 Moody's credit report.

Purpose and Operations

- HHA is a Registered Social Landlord (RSL) that owns over 7,000 properties and employs over 650 staff (FTE).
- Properties are largely located across Hertfordshire and Buckinghamshire, including high value areas Hemel Hempstead and St Albans.
- Originally, Hightown Housing Society was registered in 1967 and has grown through mergers with other RSLs and an ambitious development programme.
- Alongside the social housing activities, HHA remains committed to providing care and support activities.
- In FY2022, HHA, on average, supported 885 people who are vulnerable through managing homelessness, working with young people and care services for the disabled or sick.
- HHA aims to provide high quality personalised support to help each service user to live a full and meaningful life with a strong focus on giving people as much independence as possible.

Key Management

Bob McNaughton Chair
David Bogle Chief Executive
David Skinner CFO
Susan Wallis Director of Operations

Growth & Development Ambitions

- HHA is one of the largest developers of social housing as a % of total units in the UK.
- In 2022, HHA delivered 610 new affordable homes, of which 75% were for rent and 25% shared ownership (in 2021, 429 new homes 72% for rent and 28% shared ownership).
- HHA has delivered over 1,000 new homes in the last two years and has ambitions for another 1,000 over the next two years.
- Development programme is focused on delivering social housing with no reliance on open market sales developments.

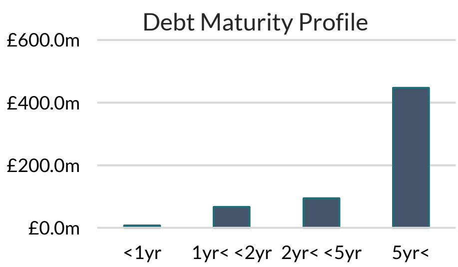
RCB Loans

£27.0m maturing in 2025, £31.5m maturing in 2027. There are £6.5m retained bonds unsold.

Debt Portfolio

- At March 2022, HHA had borrowed £614.8m from a range of banks and capital market investors as well as the £58.5m from RCB.
- Majority of the debt portfolio is repayable after 5 years.
- Liquidity was provided by £135.0m (2021: £130.0m) of undrawn committed loan facilities and £25.9m of cash (2021: £20.9m).
- HHA has borrowed unsecured funding from RCB, First Abu Dhabi Bank (£35m), and through a £100m private placement completed after the financial year end. At March 2022, HHA had unencumbered assets of £290.3m against £193.5m of unsecured loans.

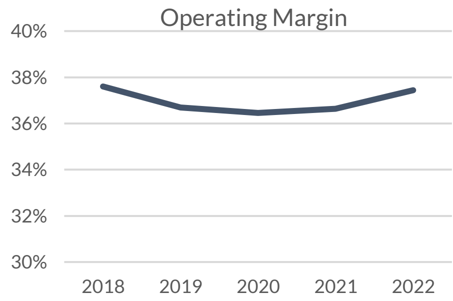
Loan Profile - March 2022	
Within one year	
In one year or more but less than two years	£66.8m
In two years or more and less than five years	£93.8m
In five years or more	£447.4m
Total	**£614.8m**
Fixed Rate	*54%*
Floating Rate	*46%*

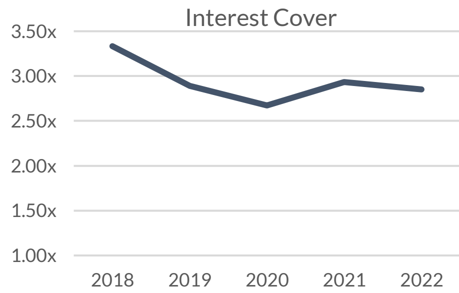


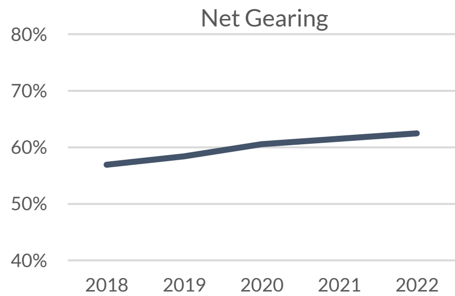
Financial Performance

- HHA is relatively highly geared, which is not unexpected considering the scale of their development ambitions, nor their location (high value).
- Net Debt to Total Fixed Assets at Historic Cost has remained at 62% at March 2022. Gearing is likely to increase when Fixed Assets ignores any revaluation uplift.
- In 2022, HHA achieved an EBITDA of £38.9m (2021 £33.0m) and EBITDA margin of 37%, strong results which include the care operations.
- HHA's care activities make up 36% of turnover but only contributed £0.8m to the overall surplus.
- Shared ownership receipts increased to £26.0m (2021 £17.7m) and profits increased to £5.3m. Generally, HHA has achieved a margin on sales over 20%.
- When shared ownership and care activities are excluded, the social housing EBITDA margins increase.
- Interest cover fell slightly in 2022 to 2.85x (2021 2.93x) but remains very strong.

Debt Cover	
Unencumbered Assets	£290.3m
Total	**£ 290.3m**
Unsecured Debt	£193.5m
% Cover	**150.0%**







Credit Considerations

- HHA has a number of core strengths – it operates in an area of high value and demand for social housing. The success of the development programme and operations have been overseen by a stable management team. While the development programme is ambitious, HHA have demonstrated experience in delivering successful outcomes and there is no reliance on open market sales risk.
- There are potential risks to manage, such as:
  - reliance on key executives
  - debt management (higher levels of floating rate debt) – for every 1% increase in base rate will increase funding costs by more than £2.5m
  - liquidity (£155m of available cash and debt vs. £144m of contracted commitments).

Social Impact

In 2022, HHA supported 885 people who are vulnerable through managing homelessness, working with young people and care services for the disabled or sick.

[Latest social impact report >]

Belong Limited

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover	£23.2m	£26.6m	£30.1m	£31.7m	£34.8m
Operating Surplus	£2.3m	£1.8m	£3.1m	£2.5m	£3.3m
Interest Payable	(£1.1m)	(£1.9m)	(£2.0m)	(£2.0m)	(£2.0m)
Net Income (Loss)	£1.3m	(£0.1m)	£0.8m	£0.4m	£1.3m
EBITDA	*£4.0m*	*£3.9m*	*£5.3m*	*£4.6m*	*£5.5m*
EBITDA %	*17%*	*15%*	*18%*	*15%*	*16%*
Interest Cover	*3.5x*	*2.0x*	*2.8x*	*2.3x*	*2.8x*
Balance Sheet	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Fixed Assets at Cost	£70.5m	£74.7m	£78.7m	£82.9m	£91.6m
Cash	£2.8m	£18.0m	£15.3m	£14.6m	£5.4m
Total Debt[9]	£27.2m	£47.6m	£47.5m	£51.0m	£49.7m
Total Reserves	£28.3m	£27.9m	£31.0m	£30.2m	£33.8m
Net Gearing	*35%*	*40%*	*41%*	*44%*	*48%*
Net Debt to EBITDA	*6.1x*	*7.5x*	*6.1x*	*7.9x*	*8.1x*
Care homes	6	7	7	7	7[10]
Beds	422	494	494	494	494
Apartments	141	169	169	169	169

Regulation

- Belong is a community benefit society (reg no. 27346R) and an exempt charity.
- Belong's care operations are monitored and regulated by the Care Quality Commission (CQC).
- The CQC's role is to regulate and inspect health and social care services in England, to ensure providers are delivering safe, effective high-quality care.
- At October 2022, Belong had 14 services that fall under the CQC's remit, and these have all been inspected and rated "Good" or "Outstanding", placing Belong in the top decile of Care Home providers.

Purpose and Operations

- Belong established in 1991, with the purpose to provide accommodation, care and support for elderly people in need.
- Belong has been at the forefront of innovative care, developing their own "Belong Village" model to provide the best care for those with dementia, as well as for older people seeking independent living in their own apartments.

[9] Total Debt includes finance leases

[10] New home Chester opened after 31 March 2022

- Their model focuses on all nursing staff being trained to support people with dementia and moves away from the traditional institutional setting for care to a smaller, more homely living arrangement called "households".
- The first "Belong" home was opened in Macclesfield in 2007, and in July 2022 Belong opened its eighth home at Chester. The Group now operates with 571 beds and 192 apartments.

Growth & Development Ambitions

- The development of Belong Chester has completed, with the home opening in July 2022.
- Belong has ambitions to continue its development programme, with Birkdale and Wirral committed developments due for completion in 2024.
- Belong Birkdale has had difficulties with contractor insolvency, but contractual documents with the funder and contractor have been finalised and works have restarted on site.
- Enabling works to have started at Wirral and the preferred contractor is under a Pre-Contract Services Agreement. Wirral will be a virtual freehold development, with only a peppercorn ground rent on completion.

Key Management

Robert Armstrong Chair   Martin Rix Chief Executive

Chris Hughes CFO   Stacey McCann COO

- New CEO Martin Rix started with Belong in 2022, he joins from Norse Care where he was COO.
- Nicola Brooks, Chair, has also announced she will step down and be replaced by Vice Chair Robert Armstrong.

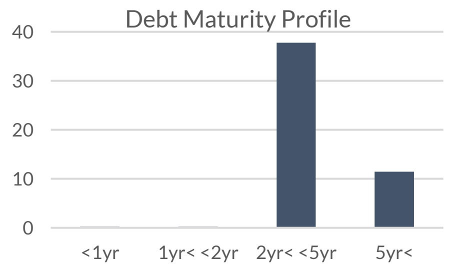
RCB Loans

£37.0m maturing in 2026. There are £13.0m retained bonds unsold.

Debt Portfolio

- The debt portfolio consists of £37.0m drawn from RCB, finance leases and a loan facility from Charity Bank.
- The terms of the finance leases are not disclosed but payment is linked to inflation. At March 2022, the finance lease liability outstanding was £12.4m and the finance charge was £1.0m. This is recorded as part of the debt in our analysis.
- Refinancing risk has increased since 2021, with the RCB bonds due for finance within five years in 2026.
- The loan is a £4m facility from Charity Bank, which was £0.25m drawn in March 2022. The Charity Bank loan is secured against the Crewe Care Home, with all others remaining free from of encumbrance. The valuation of the Crewe Care Home is unknown, but it is estimated that the unencumbered assets provide 200% cover to unsecured debt, see right.

Loan Profile - March 2022	
Within one year	£0.2m
In one year or more but less than two years	£0.2m
In two years or more and less than five years	£37.8m
In five years or more	£11.4m
Total	£49.6m

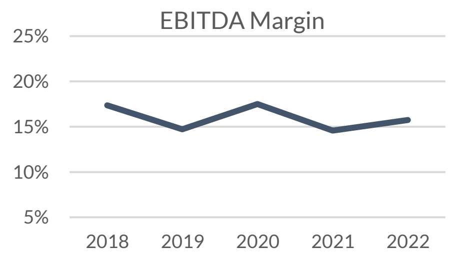


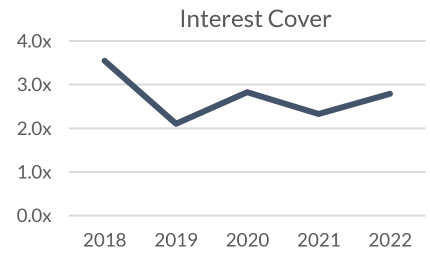
Debt Cover [11]	
Uncharged Assets	
Cash	£5.4m
Freehold Care Homes	£42.3m
Work in Progress	£27.3m
Total	**£75.0m**
RCB Bond	£37.0 m
% Cover	**203%**

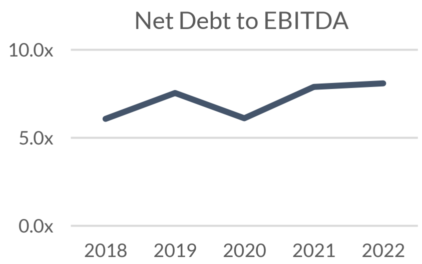
[11] Estimation of asset cover compliance from the 2022 financial statements.

Financial Performance

- In a sector characterised by low operating margins, Belong has achieved EBITDA margins over 15%.
- Volatility in the operating performance and the rise in gearing is attributable to the expansion programme.
- Opening new homes has an impact on financial performance; while occupancy builds gradually, each household is opened with a mostly full complement of nursing staff and all the fixed holding costs.
- It takes a period for occupancy to increase and therefore generate operating profits. For example:
  - The Morris Feinmann and Newcastle-under-Lyme villages opened in June 2017 and April 2018, and it was not until March 2022 that occupancy across both was considered to be at mature household occupancy levels.
- Interest cover remains over 2x, although it weakened in the last 4 years reflecting the increased level of gearing.
- Net Gearing has risen but remains under 50% (when compared to historic cost of fixed assets). The properties are now likely to be worth significantly in excess of book value.

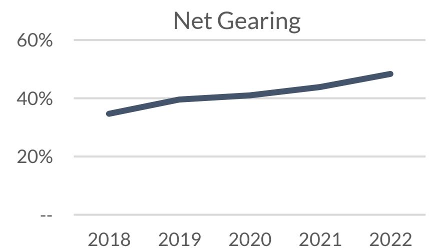






Credit Considerations

- The Belong Homes model is a premium service that provides high quality care for its residents. With exceptional CQC ratings, this should ensure that demand and income generation remains strong.
- Management has demonstrated success integrating new homes into the Group and achieving financial returns, and it is expected that once new homes are integrated these homes will also provide accretive returns to the Group.



- Balance sheet is robust, without including care homes at valuation.
- The issue with the new homes is that they are now expected to be delivered in consecutive years which may spread the impact on the financial performance over 2023-2025.
- Balance sheet has seen gearing increase, and the refinancing of the RCB bonds is drawing closer.
- Belong has navigated the worst of Covid 19 and the structure and operations of their homes have been market leading. This has seen occupancy increase to 95.5% in June 2022.
- After difficulties with contractors, Belong is now reporting the Birkdale home is on track to be completed in FY 24.
- Belong has a sizable defined pension deficit (c£5.0m at March 2022). The schemes are closed to new entrants and management are likely monitoring membership numbers to ensure the pension liability does not crystallise.

Social Impact

Belong is focused on providing excellent care for residents as well as extending assistance to the aged in their homes (Belong at Home).

[Latest social impact report >]

Greensleeves Homes Trust

Summary financial history, key balance sheet metrics and operational performance[12]

Income & Expenditure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover	£32.2m	£38.2m	£43.9m	£45.2m	£52.3m
Operating Surplus (existing)	£2.5m	£2.6m	£1.9m	£1.8m	£1.5m
New homes (first year)	(£0.2m)	(£0.8m)	(£1.1m)	(£1.0m)	(£0.5m)
Interest and lease payments	(£1.9m)	(£2.1m)	(£3.6m)	(£4.5m)	(£6.1m)
Net income (loss)	£0.7m	(£0.2m)	£6.9m	(£3.3m)	(£5.1m)
EBITDAR	*£4.0m*	*£3.8m*	*£3.2m*	*£3.7m*	*£4.1m*
EBITDAR %	*12%*	*10%*	*7%*	*8%*	*8%*
EBITDAR % (existing)	*13%*	*12%*	*10%*	*10%*	*9%*
Interest & Lease Cover	*2.1x*	*1.9x*	*0.9x*	*0.8x*	*0.7x*
Balance Sheet	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Fixed Assets at Cost	£54.8m	£64.8m	£79.6m	£88.7m	£93.9m
Cash	£10.9m	£6.8m	£13.6m	£14.3m	£15.1m
Total Debt	£33.0m	£36.0m	£50.0m	£65.0m	£75.0m
Total Reserves	£33.6m	£33.4m	£40.3m	£37.0m	£31.9m
Net Gearing	*40%*	*45%*	*46%*	*57%*	*64%*
Net Debt to EBITDAR	*5.6x*	*7.6x*	*11.5x*	*13.8x*	*14.6x*
Care homes	22	24	25	25	26
Beds	872	971	1,037	1,081	1,189

Regulation

- Greensleeves Homes Trust (GHT) is a company limited by guarantee, incorporated under the Companies Act 1985 (company no. 3260168) and is a registered charity (no. 10604478).
- GHT's care operations are monitored and regulated by the Care Quality Commission (CQC).
- The CQC's role is set out on page 20.
- At July 2022, GHT had 26 services that fall under the CQC's remit, and 25 of these have been inspected, with only two requiring improvement. One of the homes requiring improvement was acquired in November 2021.

Purpose and Operations

- GHT, established in 1996, provides care for elderly people in residential, dementia and nursing homes across England.
- The Charity was set up to acquire the care homes operated by the Women's Royal Voluntary Service.
- GHT has adopted the Eden Alternative approach to care. The focus is, among other things, to target loneliness, helplessness and boredom in residents to improve their living standards.

[12] The financial information set out above includes information taken from the Strategic report in the financial statements (p8).

- Since 2017, GHT has opened seven new homes and now has 26 located in the Midlands and southern England with almost 1,200 beds.

Growth & Development Ambitions

- GHT has an ambitious growth plan to continue its expansion, through:
  - acquisition of existing homes
  - new build – leasehold or freehold
  - development works at existing homes.
- During FY2022 GHT acquired two homes – Buckler's Lodge, Crowthorne and Manor Care Home, Berkshire (latter an acquisition of existing home).
- The next home, Meadowcroft, will open in October 22, with the residents of an acquired operation transferring into the home to make it profitable immediately.
- Extension works being undertaken at Mount Ephraim in Tunbridge Wells are expected to complete in 2022.

Key Management

Dallas Pounds Chair

Paul Newman Chief Executive

Chris Doherty CFO

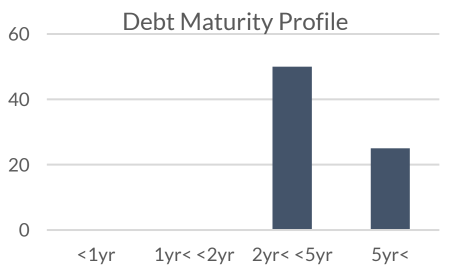
RCB Loans

£50.0m maturing in 2026, £25.0m maturing in 2030.

Debt Portfolio

- The financial liabilities consist of £75.0m drawn from RCB and several operating leases which have future lease payments totalling £64.2m. The exact terms of these operating leases are not disclosed but the payments are linked to inflation over medium term.
- In accordance with current accounting standards, these operating leases, and the corresponding care homes assets, are not shown in the balance sheet.

Loan Profile - March 2022	
Within one year	£0.0m
In one year or more but less than two years	£0.0m
In two years or more and less than five years	£50.0m
In five years or more	£25.0m
Total	£75.0m
Fixed Rate	*100%*
Variable Rate	--

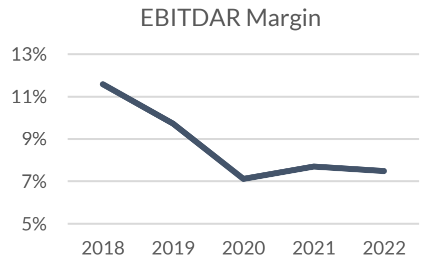


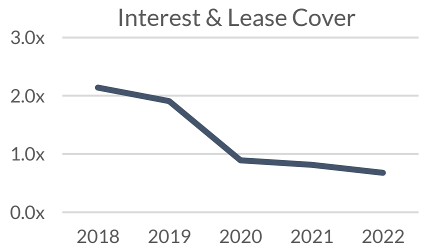
Debt Cover	
Uncharged Assets	
Cash	£5.0m
NBV of Care Assets	£93.9m
Total	£98.9m
RCB Bond	£75.0m
% Cover	**131.9%**

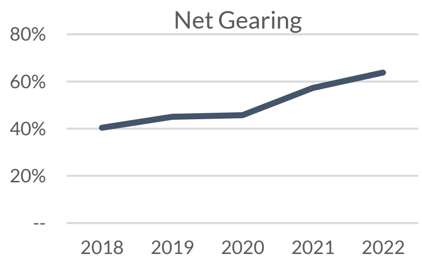
Financial Performance

- GHT achieved an EBITDAR margin in 2022 of 8% (2021 8%). The fall in profitability since 2017 largely reflects an aggressive policy on the redevelopment and expansion of the platform with 7 new homes added over the period. This has involved a degree of ramp up cost – only part of which is reflected in the accounts.
  - Opening new homes has an impact on financial performance. New homes open with a mostly full complement of nursing staff and incur all the fixed holding costs, while occupancy gradually builds.
  - Once the integration of these new homes is complete, it is expected they will generate a positive EBITDAR.

- The situation was exacerbated by Covid which depressed occupancy during 2020 – 2022.
  - Covid 19 continued to weigh on operations in 2022. Throughout the year, GHT struggled to increase occupancy levels due to restrictions on new admissions while there were Covid cases in a home. By May 2022, occupancy had increased to 86.5%, which compares to the long-term target of 94%
- Interest cover (funding costs and operating lease payments) fell below 1x cover in 2020, and this has continued through to 2022.
- In 2022, GHT increased its liabilities, from both
  - Increasing the RCB bond outstanding – a further £10m issued
  - Entering new operating leases – total future payments increased by 19% and are now £147.5m
- The net gearing (based only on RCB debt) is over 60% in 2022. The Net Book Value of Freehold Property is £88.2m, providing 1.2x cover to the RCB bonds.







Credit Considerations

- By providing high-quality care, GHT attracts private fee payers (c.75%) which increases revenues and improves financial performance. Demonstrated by new home Henley House which was praised by the CQC for resident access to other healthcare professionals, detailed care plans, and the range of facilities on offer[13].
- Development programme seeks to increase capacity, but in an efficient manner that maximises the returns from investment. This is highlighted by the development schemes that increase capacity in existing homes.
- Management have historically shown an ability to develop and integrate new homes, minimising the cash flow risk of new homes.
- Covid 19 has continued to have an impact on GHT's business, including financial performance in 2022. As regulations around Covid 19 ease, GHT needs to improve occupancy and focus on the integration of new homes.
- This has started; occupancy improved from 79.5% to 86.5% in May 2022 and GHT have estimated the increase in occupancy lifted revenue by c£6m. The long-term target is to return to 94%.
- GHT also needs to address inflation with operating costs rising at a faster pace than occupancy and fee levels.
- With the growing use of operating leases, GHT also has to carefully monitor the correlation of resident fees and inflation. There is a medium-term risk that if resident fees do not rise in line with inflation, then the operating leases could become a burden on free cash flows.
- The level of refinancing risk has increased with the £50m RCB bond to be refinanced in 2026.

Social Impact

GHT provides a service for the community where demand will continue to rise in the future.

Latest social impact report >

[13] East Anglican Daily Times 26 April 2022 – link in Appendix 2

The Alnwick Garden Trust

Summary financial history, key balance sheet metrics and operational performance

Income & Expenditure	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Turnover[14]	£4.9m	£5.0m	£3.9m	£3.0m	£5.8m
Operating Surplus[9]	£0.7m	£0.8m	£0.7m	£0.2m	£1.4m
Interest Payable[15]	(£0.2m)	(£0.2m)	(£0.1m)	(£0.1m)	(£0.1m)
Net Income (Loss)[16]	(£1.1m)	(£1.1m)	£1.0m	(£0.7m)	£0.6m
EBITDA[9]	*£0.5m*	*£0.6m*	*£0.4m*	*£0.0m*	*£1.2m*
EBITDA %	*10%*	*12%*	*11%*	*1%*	*21%*
Interest Cover	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Balance Sheet	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Fixed Assets at Cost	£17.2m	£16.1m	£15.1m	£16.0m	£17.9m
Cash	£1.3m	£1.2m	£10.8m	£10.5m	£11.2m
Total Debt	£3.5m	£3.7m	£11.6m	£11.8m	£14.0m
Total Reserves	£14.8m	£13.7m	£14.7m	£14.0m	£14.6m
Net Gearing	*13%*	*16%*	*5%*	*8%*	*16%*
Net Debt to EBITDA	*4.5x*	*4.2x*	*1.8x*	*36.8x*	*2.3x*

Regulation

- The Alnwick Garden Trust (AGT) is a company limited by guarantee, incorporated under the Companies Act 1985 (reg no. 04584694) and is registered with the Charity Commission (charity no. 1095435).
- The mission of the charity is to inspire, connect and enrich people's lives, and as such it undertakes the following activities:
  - Drugs education
  - Employability & enterprise
  - Supporting young people with additional needs
  - Outreach gardening
  - Initiatives for over 55's aiming to address isolation
- In 2022, the Community and Education programmes were reviewed, and a new Climate Action programme has been introduced. This will focus on reducing The Garden's greenhouse gas emissions while teaching individuals and businesses how to reduce their own footprint.

Background & History

- AGT manages the Alnwick Garden, which is situated inside the Northumberland Estates.

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[14] Analysis is taken from the information provided on page 10 of the 2022 Financial Statements.

[15] Interest costs have assumed to be excluded from financial costs set out on Page 10 of financial statements.

[16] Net Income/(Loss) is taken from the Consolidated Statement of Financial Activities.

- The garden was opened to the public in 2002 after significant investment overseen by the Duchess of Northumberland and was registered as a charity on 16 January 2003. In its 21 years since opening, the Garden has seen more than seven million visitors.
- AGT manages and maintains the garden as a social and educational space for those in need by reason of youth, age, ill health, disability and financial or other disadvantage through community programmes.
- AGT has leased the garden on a "peppercorn rent" from the Northumberland Estates until 2047.
- AGT generates commercial income through ticket sales, donations, rental income and retail sales.
- AGT has ambitions to expand its operations and become a major attraction in the Northeast. This includes building "Lilidorei", a 2.5-acre children's attraction whose main element will be a 19m high aerial structure. The total cost is over £15.0m and will be funded by the RCB loan and £5.0m grant funding from Borderlands Growth Fund.

Key Management

Jonathan Blackie Chair

Mark Brassell Chief Executive

The Duchess of Northumberland Trustee

RCB Loans

£12.2m maturing in 2030. There are £5.6m retained bonds unsold.

Debt Portfolio

- At March 2022, AGT had borrowed £14.0m from the Northumberland Estates (£1.8m) and from RCB (£12.2m[17]).
- With cash deposits of £11.2m, net debt was £2.8m at March 2022.
- Since March 2021, AGT has sold £2.4m of retained bonds in the RCB issuance, to increase the facility to £12.2m.
- The facility provided by the Northumberland Estates is for an £8.0m interest free loan which is repayable in 2047 and subordinated to the other indebtedness of AGT (2022: discounted PV £1.8m).

Debt Cover	
Total Unencumbered Assets	£17.9m
Unsecured Senior Debt	£12.2m
% Cover	**147%**

Financial Performance

- AGT has demonstrated resilience throughout Covid 19, with management successfully expanding the service offering. There were 37,000 tickets sold to the Christmas festival.
- For 2022, AGT looks to have achieved its strongest returns to date with an EBITDA of £1.2m.
- Interest costs have historically been quite low; however, these will increase with the RCB facility. While funding costs are largely capitalised during the construction of the "Lilidorei" project, it is expected that the operational cash flows in 2022 would have serviced the RCB facility.
- Alternatively, AGT can draw on cash reserves or undrawn facilities.
- At March 2022, net gearing (to fixed assets) was relatively low, due to the cash deposits – at 16% (2021 8%). It is expected that gearing will continue to increase as the "Lilidorei" is completed.

[17] As recorded in the accounts, net of issuance costs.

- Cash reserves have increased at March 2022 and AGT are targeting to maintain £1.5m for cash reserves

Credit Considerations

- AGT managed the garden Covid 19 closures in 2021 and has had an extremely strong 2022. Financial results were much stronger than in previous five years.
- The Garden appears to be a growing attraction in the Northeast, with AGT winning three Gold Awards at the Northeast England Tourism Awards 2022.
- While visitors to the Garden were at a record that exceeded 322,000, AGT believes that 2023 will be challenging (due to cost-of-living increases). To encourage visitor numbers, children are now free to enter the Garden.
- The Lilidorei development remains on track to be completed over the winter of 2022-23 with public opening in Spring 2023.
  - Film company MGM studios have been filming the build of the structure for a documentary that is set to air on Channel 4, and possibly other streaming platforms such as Amazon.
- This development remains a key risk for AGT moving forward; if the development does not generate the expected revenues, then AGT's existing operations will be under pressure to meet cash flow requirements of the RCB facility.
- AGT benefits significantly from the Northumberland Estates, whether this is via explicit support such as the £8.0m facility or implicitly due to the location of the garden inside the Northumberland Estates, near the Castle.
- The value of the Garden is likely to exceed the Net Book Value of £17.5m in the 2022 financial statements.

Social Impact

AGT seeks to enrich the lives of its local community with a range of social impact activities, catering to all ages. In terms of extending its social impact, the Charity welcomed 1,899 attendees at the Elderberry Drop-In (for those over 55).

Latest social impact report >

Appendix 1: Definitions

Turnover	Turnover excludes investment income, interest receivable and fixed asset sales
Operating Surplus	Operating Surplus is calculated by excluding interest payable, gains/losses on investment and fixed asset sales, while including depreciation, amortisation
EBITDA	EBITDA is calculated by excluding depreciation and amortisation from the Operating Surplus
Total Fixed Assets	Total fixed assets less cash investments
Gearing	Total Outstanding Debt / Total Assets (Unrestricted and Restricted funds)
Operating Margin % (EBITDA %)	EBITDA / Total Turnover
Interest cover	EBITDA / Net Interest Payable (Interest payable less interest receivable)
Net Gearing	Net Debt (Total Outstanding Debt less cash & investments) / Total Fixed Assets
Net Debt to EBITDA	Net Debt (Total Outstanding Debt less cash & investments) / EBITDA
EBITDAR	EBITDA before lease payments
EBITDAR % (exist.)	EBITDAR (only existing homes) / Turnover (only existing homes)
Interest & Lease cover	EBITDAR / Net Interest Payable (Interest payable less interest receivable) and Lease payments

Appendix 2: Web links

Charities Aid Foundation
Charity website: https://www.cafonline.org
CAF Bank: https://www.cafonline.org/caf-bank

Dolphin Square Charitable Foundation
Charity website: https://www.dolphinliving.com

Golden Lane Housing
Charity website: https://www.glh.org.uk
Regulatory Judgement: https://www.gov.uk/government/publications/regulatory-judgement-golden-lane-housing-limited
RSH Role: https://www.gov.uk/government/organisations/regulator-of-social-housing/about
De-merger announcement: https://www.glh.org.uk/golden-lane-housing-and-mencap-enter-exciting-new-partnership/

Hightown Housing Association
Charity website: https://www.hightownha.org.uk
Finance & Investors page: https://www.hightownha.org.uk/corporate-and-development/finance-investors
Regulatory Judgement: https://www.gov.uk/government/publications/regulatory-judgement-hightown-housing-association-limited
RSH June 2022 Survey:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1101644/Quarterly_Survey_Q1_2022-23.pdf
Completions 2022:https://www.hightownha.org.uk/news/corporate-press-releases/hightown-develops-over-600-affordable-homes-in-202122/
RSH Role: https://www.gov.uk/government/organisations/regulator-of-social-housing/about

Belong Limited
Charity website: https://www.belong.org.uk
CQC link: https://www.cqc.org.uk/provider/1-101641683
Trading Statement: https://rcb-bonds.com/wp-content/uploads/2021/05/Belong-Limited-Trading-Statement.pdf
Birkdale Contractor: https://www.warringtonguardian.co.uk/news/18610392.contractor-cruden-construction-goes-administration

Greensleeves Care Trust
Charity website: https://www.greensleeves.org.uk
CQC link: https://www.cqc.org.uk/provider/1-102642938
Trading Statement – July: https://rcb-bonds.com/wp-content/uploads/2021/05/Greensleeves-Care-trading-statement-0721.pdf
Trading Statement – Dec: https://rcb-bonds.com/wp-content/uploads/2021/05/Greensleeves-Care-trading-statement-1221.pdf
Media: https://www.eadt.co.uk/news/health/21261986.fantastic-care-home-staff-praised-first-inspection-since-opening/

Alnwick Gardens
Charity website: https://www.alnwickgarden.com
Trading statements:https://www.investegate.co.uk/retail-charity-bonds/rns/the-alnwick-garden-trust-investor-update/202107221026471368G/
Media: https://www.business-live.co.uk/enterprise/alnwick-garden-hails-bumper-year-25246703
Media: https://www.northumberlandgazette.co.uk/news/politics/council/plans-for-ps155m-alnwick-garden-play-village-move-a-step-closer-3693119

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