Company Registration Number: 9102394

Cambridgeshire Housing Capital plc

Report and Financial Statements

For the period 25 June 2014 to 31 March 2015

Contents

Statutory Information

Company registration number	09102394
Directors	Julian Foster Michael Leggett to October 31, 2014 Claire Higgins from December 22, 2014 Terry Parker
Secretary	Michael Leggett to October 31, 2014 Claire Higgins from December 22, 2014
Registered Office	C/o Cross Keys Homes Shrewsbury Avenue Peterborough Cambridgeshire PE2 7BZ
Independent Auditor	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Bankers	Royal Bank of Scotland plc 1st Floor Conqueror House Vision Park Histon Cambridge CB24 9NL
Solicitors	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ

Operating and strategic report

The Company was incorporated during 2014 as a subsidiary of the registered provider and housing association, Cross Keys Homes. The major purpose of the Company is to support the parent company's objectives. The parent company has been established for 11 years and offers social and affordable housing in and around Peterborough together with other tenant related services.

During 2014 the Company used the leverage of its parent company's AA- S&P rating and its environmental credentials and issued the first Environmental, Social and Governance (ESG) bond in the social housing sector, achieving a very competitive margin spread of 1.2% over gilt rates for a 31 year £150 million bond facility of which £105 million has been issued at this point.

With £45million as retained bonds for future issue, the net proceeds of the bond of £103.1m was on lent to the parent company (see notes 6 and 9 to these financial statements) and utilised to repay £55m of existing syndicated bank/building society funding with the remainder to be invested in the short term and used for future developments. Given the Company's major objective and strategy is to support the parent company's operation we assess the Company's success by reference to the parent company's performance. In addition to the bond, the remaining debt of the parent company comprised of a mix of fixed, variable, cancellable and interest linked loans totalling £139.4 million. This is in compliance with established treasury management limits, which have been designed to manage the group's exposure to interest rate fluctuations.

The group treasury policy and associated procedures were updated to reflect the new environment as surplus proceeds from the bond were invested with a range of counterparties, including AAA rated Money Market Funds and banks/building societies, for periods ranging from instant access to 12 months, ensuring sufficient liquidity is maintained to meet operational cashflow requirements.

The parent company ended the year with a loan/bond and overdraft arrangements totalling £242.4 million and external cash investments of £36.3 million. Further details of the loan balances can be found in the group financial statements.

The gearing ratio, calculated as net debt divided by the historic cost of housing properties decreased slightly to 59.6% (2014 – 59.9%). The parent company expects this ratio to increase to a peak of 67% by 2020. The group's borrowing arrangements require compliance with a number of financial and non-financial covenants. The group's position is monitored on an on-going basis and reported to the board regularly. Recent reports confirm that the group was in compliance with its loan covenants at the balance sheet date and throughout the period and that the board expects the parent company and the group to remain compliant in the foreseeable future.

The group uses various financial instruments, including loans and cash to raise finance for the group's operations. There are no material, non-closely related embedded financial instruments nor any exposure to exchange rates. The existence of these financial instruments does expose the group to some other financial risks. The risks arising from the group's financial instruments are considered by the directors to be interest rate risk, liquidity risk and credit risk. The parent company board review and agree policies for managing each of these risks and they are summarised below:-

Interest rate and inflation risks

The group finances its operations through a mixture of retained surpluses, bank borrowings and capital market bonds. The group's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities, including interest rate swap instruments. The treasury policy permits fixed rate loans to be within a range of 20-80% of total liabilities. The reason for such a large range is to provide flexibility in managing both interest rate and inflation risk together.

Operating and strategic report (continued)

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. At year end the group held cash balances totalling £36.3m with a current ratio of 3.7 (2014 – 0.43). The company also has access to the capital markets through retained bonds of £45m and in 2014 had access to undrawn committed bank facilities of £22.5m.

Credit risk

The group's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self-funding tenants. Welfare Reform and resulting changes to the benefits system has been identified as a key risk to the group, and a project team assesses the impact of emerging changes.

The Company's exposure to the above risks is considered to be mitigated since under the terms of the Bond Loan Agreement the Original Borrowers are required to reimburse the Company all expenditure incurred in the respect of the Bond issue, with the terms of the on-lending agreement mirroring the bond terms.

Principal risks and uncertainties

The principal risks facing the Company are:

- the inability to meet its obligations in respect of the Bond Trust Deed; and
- counterparty risk from the parent company.

Various security and contractual arrangements, as described in Note 11 to these financial statements, are in place to mitigate these risks.

The risks facing the parent company could also have a material effect on the performance of Cambridgeshire Housing Capital plc. These include:

- risk that the operating surplus of the parent company does not perform in line with its business plan; and
- the risk that the loan covenants are breached.

Management of these risks is controlled by:

- monitoring the operating surplus of the parent company and how it has performed against the business plan;
- review of factors that may impact operating surpluses including Welfare Reform and the change in accounting regime to FRS 102; such factors increase the risk that the cash flow obligations may not be met;
- monitoring the covenants for both actual and anticipated performance.

Summary of key performance indicators

The Directors have monitored the progress of the overall strategy and the individual strategic elements by reference to the following non-financial indicator described below:

The Board of Directors ensures 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 commitments to the Bond investors.

The Company is primarily a conduit for accessing the Debt Capital Markets therefore the

Operating and strategic report (continued)

Board of Directors monitor the business plan forecasts of the parent company as the financial key performance indicator.

Management accounts showing a positive performance against forecast were readily available from the parent company showing a favourable performance against this objective.

The Company will continue to monitor the financial performance and covenant compliance of both the parent company and the group. On the basis of this review the Company hopes to make sales of retained bonds and further issues of capital market debt in the future to support the group's planned growth.

Terry Parker
Chair
20 July 2015

Report of the Directors

The Directors submit their Report and the audited Financial Statements for the period 25 June 2014 to 31 March 2015.

Date of incorporation

Cambridgeshire Housing Capital plc ("Company") was incorporated on 25 June 2014. The Company began trading on 15 September 2014.

Business review and principal activity

The company has been set up as a subsidiary of Cross Keys Homes Limited to raise funding on the capital markets for on lending to Cross Keys Homes and other registered providers. A bond of £150million was issued on the London Stock Exchange on 15th September 2014. £105million of the bond was subscribed for by investors while £45million was retained for future issue. The bond carries an interest rate of 4.25% and is repayable in 2046. On the same day the net proceeds of the bond (after issue costs and discount on issue) were on lent to Cross Keys Homes Limited.

Future developments

The Directors do not anticipate any change in the Company's principal activity.

Results and dividends

The profit for the period amounted to £nil.

The Directors do not recommend payment of a dividend in respect of the period ending 31 March 2015.

Financial risk management objectives

The Directors' approach to financial risk management objectives and exposures have been set out in Note 10 of these financial statements and in the Operating & Strategic report.

Directors and their interests

The Directors of the Company who held office during the period are as follows:

Julian Foster
Michael Leggett to October 31, 2014
Claire Higgins from December 22, 2014
Terry Parker

In accordance with the Company's Articles of Association, none of its Directors are required to retire. None of the Directors who held office at the beginning or end of the period had any interest in the shares of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and Annual Report and the Financial Statements in accordance with applicable law and regulations.

Report of the Directors - (continued)

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's auditors are unaware; and,
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the parent company's web-site related to this Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge

- the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Operating & Strategic report and the Report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

Going Concern

The Company's business activities, its principal risks and uncertainties and factors likely to affect its future position are set out within the Operating & Strategic Report. The UK Government emergency budget announcement in July 2015 included the introduction of a reduction in rents for social and affordable tenancies of 1% per annum for the next four years. We consider that there are no other events since the financial year-end that have had an important effect on the financial position of the Group.

Report of the Directors - (continued)

The financial support available to the company from the parent company gives reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office. Accordingly a resolution in accordance with section 489(4) of the Companies Act 2006 is to be proposed for the re-appointment of Grant Thornton UK LLP.

Signed on behalf of the Board of Directors

Claire Higgins
Secretary
20 July 2015

Registered in England – No. 9102394

C/o Cross Keys Homes
Shrewsbury Avenue
Peterborough
Cambridgeshire
PE2 7BZ

Corporate Governance Statement

The Company has a listed security in issue and is required to comply with the applicable sections DTR 7.1 and DTR 7.2 of the Financial Services Authority ("FSA") handbook.

The Company does not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing on best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company and best practice.

The Board and its Directors

The Company is led by a Board of Directors ("Board"). The appointment of the Directors is pursuant to the Articles of Association dated 25 June 2014.

Each Director is of equal standing. Owing to the size and nature of the Company, there is no appointed Chief Executive. There is also no distinction drawn between executive and non-executive Directors.

As the Board all have considerable experience within the Social Housing sector, and also act in various capacities for Cross Keys Homes, the Company does not arrange any formal induction or training for new Directors. This arrangement is reviewed on an on-going basis to consider its appropriateness.

The Directors are covered by the Cross Keys Group's directors' and officers' indemnity insurance policy.

The Board acknowledges that it is collectively responsible for the success of the Company by providing leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place and reviewing management performance.

In order to discharge these responsibilities, the Directors have met twice during the period covered by these financial statements. The table below indicates the number of meetings held and the number of meetings attended by each Director.

Number of meetings held in period	2
Julian Foster	2
Michael Leggett to October 31, 2014	1
Claire Higgins from December 22, 2014	1
Terry Parker	2

All Directors receive appropriate and timely information and briefing papers in advance of the Board Meetings. Day to day management of the Company is delegated to the Cross Keys Homes' director's team under Group Standing Orders arrangements.

Corporate Governance Statement (continued)

The Board and its Directors (continued)

Appointments to the Board are made in line with the Articles of Association. The parent company, Cross Keys Homes Limited has a Performance and Governance committee that provides oversight for the entire Cross Keys Group of companies which includes Cambridgeshire Housing Capital plc. The Company does not have a separate and dedicated Nominations and Remuneration committee as the size and nature of the Company does not warrant a dedicated committee but relies on the Group Performance & Governance committee for this function.

The Board does not undertake a formal annual evaluation of its performance and that of its Directors and there is no formal policy on re-election of Directors. The Directors, however, ensure that the Board is structured in such a way that each member of the Board is able to bring different experiences and skills to the operation of the Company and encourages and supports each Director to regularly update and refresh their skills and knowledge.

Internal control and risk management systems

The Board has established processes for identifying, evaluating and managing the significant risks the Company faces. The Board annually reviews these processes, which have been in place from the commencement of trading to the date of approval of this report. The risks are also reviewed quarterly during the Cross Keys Group Audit and Risk Committee meetings.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management to ensure it meets the minimum requirements of DTR 7.1.3. It is based principally on reviewing financial and operational reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

As part of the requirements of DTR 7.1.3 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 Cross Keys Homes Limited as part of its assessment. This is monitored as part the Cross Keys Group Board meetings which consider the relationship with the statutory auditor and all group subsidiaries.

At each Company management meeting the Board reviews whether the existing internal controls to monitor the requirements of DTR 7.1.3 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 that the existing internal controls to be sufficient and in view of the small number of transactions does not consider there to be a requirement for a specific Cambridgeshire Housing Capital plc internal audit function The requirement for a dedicated internal audit function is considered annually.

Independent auditor's report to the members of Cambridgeshire Housing Capital PLC

We have audited the financial statements of Cambridgeshire Housing Capital plc for the period ended 31 March 2015 which comprises the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 to 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its result for the period 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Operating &Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 9 to 10 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Independent auditor's report to the members of Cambridgeshire Housing Capital PLC (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, England

3 August 2015

Profit and Loss Account

	Notes	2015 £'000
Interest receivable and similar income	3	2,456
Operating income before financing costs		2,456
Interest payable and similar charges	4	(2,456)
Profit on ordinary activities before taxation		-
Taxation	5	-
Results for the period		-

The above relates wholly to continuing operations.

There is no difference between the result on ordinary activities before taxation and the result for the period stated above and their historic cost equivalent.

The company has no recognised gains and losses other than the result stated above and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying accounting policies and notes form part of these financial statements.

Balance Sheet

	Notes	2015 £'000
Fixed asset investment	6	103,169
Current assets		
Debtors – amount falling due within one year	7	184
Cash at bank		12
		196
Creditors – amounts falling due within one year	8	(184)
Net current assets		12
Total net assets less current liabilities		103,181
Creditors – amounts falling due after more than one year	9	(103,169)
Net assets		12
Capital and reserves		
Called-up share capital	12	12
Reserves		-
Equity shareholders' funds	13	12

Signed on behalf of the Board of Directors

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Claire Higgins
Director

These financial statements were approved and authorised by the Directors for issue on 20 July 2015

Company Registration Number: 09102394

Notes to the Financial Statements

1. Principal Accounting Policies

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention other than fixed asset investments and embedded derivatives held at fair value through profit and loss ("FVTPL") and in accordance with the Companies Act 2006 and applicable accounting standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are presented in Sterling rounded to the nearest thousand.

1.2 Cash flow statement

The Company is exempt from the requirements of FRS1 (Revised) to prepare a cash flow statement as its results are included in the consolidated financial statements of Cross Keys Homes Limited which includes a cash flow statement.

1.3 Interest receivable and similar income

Interest receivable is recognised as interest accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

1.4 Investment income

Income receivable from investments is recognised as income accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

1.5 Taxation

The current tax charge is based on the results for the period and is measured at the amounts expected to be paid based on the tax rates and laws substantially enacted by the balance sheet date. Current tax is recognised in the profit and loss account for the period.

1.6 Deferred tax

Full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

1.7 Financial instruments – initial recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Notes to the Financial Statements (continued)

We have considered whether the financial instruments contain any material, non-closely related embedded derivatives and where identified these would be separated and accounted for at fair value through the profit and loss. At this point in time no material, non-closely related embedded derivatives have been identified.

1.8 Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value adjusted by transaction costs, unless they are measured at fair value through the profit and loss account.. Financial assets classed by the Company as loans and receivables are debtors due in one year, fixed asset investments and cash.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Intercompany debtors are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost, discounted at a rate equal to the original effective rate, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit and loss account.

Provision against intercompany debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective rate. An assessment for impairment is undertaken at least at each balance sheet date.

1.9 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs, unless they are measured at fair value through the profit and loss account.

Financial liabilities are measured subsequent to initial recognition at amortised cost using discount of the original effective rate, with interest-related charges recognised as an expense in finance cost in the profit and loss account. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit and loss account on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are de-recognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

2. Operating profit

None of the Directors received any remuneration as Directors from the Company during the period. The Company has no directly employed personnel.

Audit fees of £10,000 (plus VAT) and other administrative expenses are borne by the Original Borrower.

Notes to the Financial Statements (continued)

3. Interest receivable and similar income

	2015 £'000
Interest receivable	2,456
Bank interest receivable	-
	2,456

Under the terms of the Bond Loan Agreement the parent company is required to reimburse the Company all expenditure incurred in the respect of the Bond issue. Immediately after the issuance of the Bond the Company immediately on-lent the proceeds to the parent company which gave rise to interest receivable during the period; the terms of the on-lending agreement mirror the bond terms.

4. Interest payable and similar charges

	2015 £'000
Interest payable on the Bond	2,456

5. Taxation

The results for the period do not give rise to a tax charge.

6. Fixed asset investments

	2015 £'000
Amounts owed by parent company	105,000
Less: Deferred costs	(990)
Prepaid interest	(841)
Net loan to Original Borrower	103,169

On September 15, 2014, the Company issued a fixed rate secured bond, denominated in Sterling, maturing 14 September 2046 of £150,000,000 to the Debt Capital Markets paying a fixed coupon bi-annually of 4.25%. Of this amount £45m has been retained by the Company for future sale.

The loan to the parent company is considered to be a fixed asset investment as it is intended for use on a continuing basis in the Company's activities. The Directors consider such loans to be held for the long term over the life of the related debt.

Deferred costs consist of costs associated with the bond issue; these costs and the prepaid interest are being amortised over the 31 year period of the loan.

The amounts stated above are all due in more than one year (refer to Note 7 for amounts due within one year).

Notes to the Financial Statements (continued)

7. Debtors – amount falling due within one year

	2015 £'000
Interest receivable	184

8. Creditors – amount falling due within one year

	2015 £'000
Interest payable	184
Amounts due to the Bond investors	184

9. Creditors – amounts falling due after more than one year

	2015 £'000
Amounts due to the Bond investors	105,000
Deferred costs	(990)
Prepaid interest	(841)
Net liability	103,169

Under the terms of the Bond Loan Agreement the Original Borrower is committed to repay the Bond in full at maturity to enable the Company to reimburse the Bond holders. Deferred costs represent costs of issuing the bond together with the discount on issue.

Security has been given on amounts due to the Bond investors amounting to £105,000,000. The nature of this security is the Original Borrower's housing stock.

10. Financial instruments

The Company's financial instruments comprise borrowings and loans receivable. The sole purpose of these financial instruments is to raise finance for the growth and development activities of the Original Borrower and other registered providers as they meet the criteria to accede to the borrowing structure ("Additional Borrowers").

The Company does not actively engage in the trading of financial assets for speculative purposes. The Company has not entered into any derivative contracts.

The most significant financial risks to which the Company is exposed are credit risk and liquidity risk. As noted above the terms of the on-lending agreement mirror the bond terms such that the Company effectively has no market risk exposure. The Board's policy for managing the risks is summarised below:

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

The Company's financial instruments are summarised as follows:

	2015 £'000
Financial assets: Classed as loans and receivables (amortised cost)	
Loans to Original Borrowers	103,169
Debtors due in one year	184
Cash at bank and in hand	12
Financial liabilities: Classed as other financial liabilities (amortised cost)	
Bond	103,169
Other creditors (accrued bond coupon – see Note 8)	184

Credit risk

The Company is dependent on receipt of funds from the parent company in order to meet its contractual obligations under the Bond Loan Agreement in relation to the Bond. The credit risk is that the parent company, as the main counterparty, fails to reimburse the Company. The Directors consider the credit risk to be very low owing to the fact that the Cross Keys Group is a strong business, with a strong asset base, that consistently generates a surplus and is scrutinised by a regulator that has strong oversight and ensures the financial viability of the business.

The credit risk for bank deposits and money market funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

No impairment loss has been recorded in relation to the fixed asset investment.

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the Directors in assessing and managing liquidity risk. The risk is managed via the Bond Loan Agreement into which the Company has entered with the parent company. The interest receivable mechanism described in Note 3 is in place to ensure that the liquidity risk within the Company is minimised.

The repayment profile of the Company's liabilities is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000 2015
Amounts due to the Bond investors	-	4,463	22,312	221,025	247,800
Amounts due to parent company	-	-	-	-	-

Amounts due to the Bond Investors reflects the gross payments due on the £105,000,000 of the Bond that was issued to external investors.

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

Interest rate risk

The Company has no exposure to interest rate risk as all amounts owed to external Bond investors are at a fixed rate of interest as are the corresponding interest receivable amounts due from Original Borrowers on amounts lent under the Bond Loan Agreement.

There are no other interest bearing assets or liabilities.

The interest rate profile of the Company's financial liabilities is as follows:

	2015 £'000
Fixed rate borrowings	105,000

The Bond pays a fixed rate of interest at 4.25%.

Of the total £150,000,000 Bond, £105,000,000 has issued been issued, therefore the Company has £45,000,000 retained bonds yet to be sold.

Fair values

Set out below is a comparison of book values and fair values of the Company's financial instruments at 31 March 2015:

	At Fair Value 2015 £'000	Book Value 2015 £'000
Financial assets		
Loans to Original Borrower	105,000	103,169
Debtors due in less than one year	184	184
Cash at bank and in hand	12	12

	2015 £'000	2015 £'000
Financial liabilities		
Other creditors	184	184
Fixed rate secured bonds	121,137	103,169

The fair value of the fixed rate secured the Bond is based on its market value at 31 March 2015.

The fair value of the loan to the Original Borrower is based on the market value of similar debt instruments at 31 March 2015.

Notes to the Financial Statements (continued)

Foreign currency risk

The Company has no foreign currency transactions. All of the Company's borrowing and coupon payments are denominated in Sterling.

11. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the Bond investors and benefits for other stakeholders. The risk of interruption of cash inflows by the Company (which are required to service and repay the debt) is low owing to these ultimately being receivable from the parent company which receives a significant proportion of its rental income from the public sector through housing benefit.

In order to maintain or adjust the capital structure, the Company may issue new shares or bonds, or sell assets to reduce debt.

The Company monitors capital on the basis of the carrying amount of reserves plus its cash at bank as presented on the face of the balance sheet. Capital for the reporting period under review is summarised as follows:

	2015
	£'000
Cash at bank and in hand	12

The Company has honoured all its covenant obligations since the Bond issuance to the Debt Capital Markets on 15 September 2014.

The Company has complied with all externally imposed capital requirements during the period.

12. Called up share capital

Authorised	**2015**
	£
50,000 shares of £1 each	50,000

Allocated issued and partly paid	**2015**
	£
50,000 shares of £1 each 25p paid	12,500

Upon incorporation the Company issued 50,000 shares 25p paid to provide working capital to establish the business.

All shares rank pari passu in all regards.

Notes to the Financial Statements (continued)

13. Reconciliation of movement in shareholders' funds

	2015 £'000
Opening shareholders' funds	-
Share capital issued during the period	12
Results for the period	-
Closing shareholders' funds	12

14. Related party transactions

The company takes advantage of the FRS 8 "Related Party Disclosures" exemption permitting it not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the group and consolidated group accounts are prepared.

15. Ultimate parent undertaking

Cambridgeshire Housing Capital plc is a wholly owned subsidiary of Cross Keys Homes Limited, which is the ultimate parent and ultimate controlling entity. Cross Keys Homes Limited is the smallest and largest entity in the group that produces consolidated financial statements. Consolidated financial statements of Cross Keys Homes Limited can be obtained from the Company Secretary at Cross Keys Homes, Shrewsbury Avenue, Peterborough, PE2 7BZ.

16. Post balance sheet event

The UK government emergency budget of July 2015 included measures to reduce social and affordable rents by 1% per annum for the next 4 years. While this change has no impact on these financial statements the impact of this is likely to reduce group income by £6.2m compared to the previous business plan projections by 2020. As explained in the Operating & Strategic review this change does not impact on the going concern view expressed in these financial statements.