Registration Number 12007129

Accent Capital PLC
Report and Financial Statements
for the period ended
31 March 2021

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The Board, Executives and Advisors

Directors
Rob Seldon - Chair
Stephen Cockell
Paul Dolan
Tom Miskell
David Royston
Matthew Sugden

Company Secretary
Matthew Sugden

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West Yorkshire
BD17 7SW

Registered Number
12007129

Auditor
Grant Thornton UK LLP
4 Hardman Square
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Manchester
M3 3EB

Banker
National Westminster Bank PLC
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LS1 4HR

Strategic Report

Definitions
Accent Capital PLC, referred to as the Company in these financial statements, is a public limited company and subsidiary of Accent Housing Limited. The ultimate parent company is Accent Group Limited and these accounts are consolidated into Accent Group Limited. The terms “Group” or “Accent” in the report and financial statements refers to the consolidation of Accent Group Limited and all its subsidiaries.

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

Group structure
The Group also comprises the following companies:

Accent Group Limited	Parent company	Registered Co-operative and Community Benefit Society number 30444R & Homes England registered provider number L4511
Accent Housing Limited	Registered Provider of Social Housing	Registered Co-operative and Community Benefit Society number 19229R & Homes England registered provider number LH1722
Accent Homemade Limited	Provision of development services associated with the design and construction of new homes for Accent Group Limited and its subsidiaries	Registered company number 05591747
Domus Services Limited	Provision of services for the collection of service charge income and management of related expenditure on behalf of leaseholders	Registered company number 01841639

The Group also has a 50% share in Franklands Park Limited, registered company number 08157005, which manages a single housing scheme Franklands Drive on behalf of joint owners Accent Housing Limited and PA Housing Limited.

The Group also has a 16.67% share in Procurement For All Limited, registered company 05472353, which provided services to its members securing value for money through joint procurement of capital and maintenance works. The trading activities of Procurement For All Limited are being wound down in an orderly manner and the business is in the process of being solvently liquidated. At the point in time of trading activity being wound down the business was solvent and hence a small amount is anticipated to be returned to each shareholder in due course.

Business review and future activities
On 18 July 2019 the Company issued £350m 2.625% secured bonds at an issue price of 97.96% of the aggregated principal amount. These secured bonds, which are denominated in Sterling, mature on 18 July 2049. Of the £350m issued, £225m was immediately drawn and £125m retained for future sale. The initial proceeds of £220.4m were on-lent to Accent Housing Limited at an effective interest rate of 2.725% inclusive of the cost of amortising the discount on issue over the life of the bonds. Also on 18 July 2019 the Company deferred the issue of a further £125 million secured bonds until a future date. All issue costs were initially borne by Accent Housing Limited and recharged to Accent Capital PLC, and these costs are amortised over the lifetime of the loan.

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

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

Objectives and strategy
The objectives of the Company are to provide external funding to support the wider group. The execution of the Company's strategy is subject mainly to financial risks, such as failure to meet interest/covenant requirements and the underlying performance of the Accent Group and its subsidiaries. The Company's financial instruments and its exposure to financial risks are summarised in note 9.

Key performance indicators
The directors have monitored the progress of the overall strategy and the individual strategic elements by reference to the financial indicators below. There are no non-financial key performance indicator measures.

Strategic Report (continued)

Key performance indicators (continued)

The board of directors ensure that the Company fulfils its obligations under the bond trust deed which in turn ensures it is compliant with listing Regulations and under the bond loan agreement, its commitment to the bond investors and Accent Housing Limited. The Company is primarily a conduit for accessing the debt capital markets, therefore the board of directors monitor the compliance with the asset cover covenant (see below) and the availability of cash flow to and from the other members of Accent Housing Limited as the key financial performance indicators. As the Company provides lending to members of the Group, its performance is dependent on performance of the Group, reference should therefore also be made to those key performance indicators measured by the Group; as outlined in the Accent Group Limited financial statements for the year ended 31 March 2021. The Company continues to comply with its obligations under the bond loan agreement and trust deed and has provided sufficient cash flow to members of the Group. The Company's liabilities are secured against the performance of Accent Housing Limited through appropriate agreements.

Asset Value Cover has been calculated based on the valuation of the housing properties on which the bond is secured. As at 31 March 2021 there was £18.1m (2020 £16.6m) in excess of the security required in accordance with the bond documentation. This is a satisfactory performance, as it is above the target performance as per the requirements of the financial covenant in the bond loan agreement.

Post year end security in respect of the £125m retained element of the bond has been placed into charge. This allows Accent Capital PLC to issue the retained tranche at a time of its choosing.

Section 172 Statement
The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

The S172 statement focuses on matters of strategic importance to Accent Capital PLC, and the level of information disclosed is consistent with the size and the complexity of the business.

- **S172(1) (A) the likely consequences of any decision in the long term**
  The directors understand the company and its purpose and consider these alongside the business and purpose of its parent company to whom bond proceeds have been wholly on lent and group undertakings. Any future activity within Accent Capital PLC would be considered in this context and with a view to achieving the overall Group objectives.

- **S172(1) (B) The interests of the company's employees**
  Accent Capital PLC does not have any employees.

- **S172(1) (C) The need to foster the company's business relationships with suppliers, customers and others**
  Bond Holders are key stakeholders of Accent Capital PLC. Directors are mindful of their need to keep bond holders informed of the business and the wider Groups activities and performance. Investor updates are provided to bond holders and open lines of enquiry are welcomed. Accent Capital PLC has just one trading relationship with its parent Accent Housing Limited, to whom all bond proceeds have been wholly on lent. Directors are mindful of the interdependencies with regards to this relationship and maintain open lines of communication with officers and directors of the parent company.

- **S172(1) (D) the impact of the company's operations on the community and the environment**
  Due to the nature of the company's activities there is minimal direct impact on the community and the environment. The on lent bond proceeds are being utilised within the Group to develop and maintain affordable housing thus supporting the wider community. New developments are constructed with energy efficiency as a key consideration.

- **S172(1) (E) The desirability of the company maintaining a reputation for high standards of business conduct**
  Accent Capital PLC has debt traded on the London Stock Exchange. Maintaining a strong reputation for good conduct and compliance with all known laws and regulations is of upmost importance. As a member of Accent Group compliance with governance standards and regulatory matters is monitored at Group board level.

- **S172(1) (F) The need to act fairly as between members of the company**
  Accent Capital PLC is a wholly owned subsidiary of Accent Housing Limited.

Strategic Report (continued)

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

The Group's treasury function is responsible for the management of all Group funding arrangements and the control of associated risks within the overall governance framework of the Group treasury strategy. The Company's activities are undertaken within this Group-wide funding strategy. As such the long term performance of the Company is dependent on the performance of the other members of the Group, in particular Accent Housing Limited. In this context the Company is exposed to the risks and uncertainties which are set out within the Strategic Report of Accent Housing Limited for the year ended 31 March 2021.

Going concern
In making their assessment of going concern the directors consider a period of twelve months from the date of signing the financial statements. The Company is a vehicle for raising debt finance for the Group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements the Company is dependent upon Accent Housing Limited to whom the Company has on lent the proceeds of the bond as per the terms of the on-lending agreement. Accent Housing Limited has in place long term business plans which have been reviewed and stress tested to demonstrate the ability to meet all of its obligations for the foreseeable future. These plans, stress tests and covenant forecasts have been shared with the Directors of Accent Capital plc and are considered appropriate for use in the determination of going concern. In addition Accent Housing Limited has indicated its ongoing support for Accent Capital PLC through the issuance of a letter of support offering ongoing financial support as at the balance sheet date.

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

On behalf of the board

Tom Miskell
Director
7 July 2021

Directors' Report

The Directors of Accent Capital PLC (the 'Company') present their report and the audited financial statements of the Company for the period ended 31 March 2021. In respect of compliance with all aspects of Corporate Governance, please see the separate Corporate Governance Statement on pages 7-8, which forms part of this directors' report.

Accent Capital PLC is a 100% owned subsidiary of Accent Housing Limited; which is incorporated under the Co-operative and Community Benefit Societies (2014 Act) (registered number 19229R) and is a Registered Provider (HCA registration number LH1722) and is a member of the Accent Group, ("The Group").

Principal activities
The Company was incorporated on 20 May 2019 and the principal activity is to act as a vehicle for raising external debt and to on-lend to the Group. In order to issue bonds to the public it is a legal requirement that the issuer is a public limited company (PLC).

Financial risk management
The Company's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk. The Group has in place a risk management plan that seeks to limit the adverse effects on the financial performance of the Company. The Company's financial instruments and its exposure to financial risks are outlined in note 9 - Financial Instruments.

Credit Risk - as at 31 March 2021 the Company had on-lent all of its issued funds to Accent Housing Limited which was secured by a first fixed legal charge over property assets valued in excess of the value of the debt.

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

Interest Rate Risk - as at 31 March 2021, 100% of the Company's debt is on fixed rate terms from the capital markets. It is then on lent to Accent Housing Limited at the same fixed rate of interest. There is no intention to repay the debt in advance of the agreed repayment profile, therefore any changes in the market value of the debt arising out of changes in market interest rates is not deemed to be material to the financial stability of the Company.

Employees
The Company does not have any employees.

Environmental Reporting
No energy and carbon information is disclosed within these financial statements as due to its nature Accent Capital PLC is a low energy user

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

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

Results and dividends
No dividend was paid during the period. The directors are not recommending the payment of a final dividend.

Future developments
As set out in the strategic report the board does not envisage any significant changes in the Company's activities in the foreseeable future.

Subsequent events
There are no subsequent events to report.

Board members and directors
The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Rob Seldon - Chair
Stephen Cockell
Paul Dolan
Tom Miskell
David Royston
Matthew Sugden

The Directors held no interest in the Company but are either non-executive directors or executive directors of, and employed by, Accent Housing Limited.

Directors' Report (continued)

Operating segments

Due to the nature of the company Accent Capital PLC only has one operating segment. As such no further analysis is presented.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Statement of disclosure to auditors

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

Independent auditor

A resolution to re-appoint Grant Thornton UK LLP as external auditors will be proposed at the Board's Accounts Approval Meeting.

On behalf of the board

Matthew Sugden
Secretary
7 July 2021

Corporate Governance Statement

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

The company is a wholly owned subsidiary of Accent Group Limited, which upholds and is fully compliant with the National Housing Federation (NHF) 2015 Code of Governance. As a wholly owned subsidiary of Accent Group Limited, Accent Capital PLC is also compliant with the NHF 2015 Code of Governance.

At its meeting on 24 March 2020, the Group Board adopted the NHF 2020 Code of Governance. This is a code of governance created by the National Housing Federation and is the most commonly utilised within the social housing sector. The 2020 Code is a significant reworking of the previous (2015) document and focusses on four key areas:

- The importance of being accountable to residents;
- Organisational culture;
- A requirement for a clear framework for ensuring equality, diversity and inclusion within all housing associations and;
- Environmental sustainability.

Having undertaken a review of the revised code Accent Group is comfortable that they are materially compliant with the revised code.

The Board
The Board comprises up to six board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company. Any member or members holding a majority in nominal amount of issued ordinary share capital may at any time appoint any person to be a director. The directors on the board are detailed on page 5.

Committees
The Board was supported by the Accent Group Audit and Risk Committee (A&RC). A&RC is made up of three members, one independent member and meets formally four times a year. A&RC has the responsibility for the detailed review of the Company's financial statements, the review of the effectiveness of the system of internal control, and the appointment of its internal and external auditors, including the agreement of the scope of their work and the review of their reports. The Board obtains external specialist advice from time to time as necessary. Members of the A&RC are as follows:

Archana Makol - Chair
Rob Seldon
James Kelly
Terry Casey – Independent
John Longbottom - Independent

The Accent Capital PLC board met on 8 July 2020. ARC met on 14 April 2020, 11 June 2020, 9 September 2020, 22 October 2020 and 13 January 2021.

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

The process for identifying, evaluating and managing the significant risks faced by the Company is ongoing and has been in place throughout the financial year. The Company does not have any employees and therefore adopts the diversity policy of Accent Group when and if required.

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

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

Corporate Governance Statement (continued)

Financial reporting

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

Independent auditor's report to the members of Accent Capital Plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Accent Capital PLC (the 'Company') for the year ended 31 March 2021, which comprise the Statement of comprehensive income, the Statement of changes in reserves, the Statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its result for the year then
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the design and implementation of controls relevant to management's going concern assessment;
- Obtaining management's forecasts covering the period from 1 April 2021 to 31 July 2022 and assessing their integrity and suitability as a basis for management to assess going concern;
- Evaluating the key assumptions within the forecasts and considering whether the assumptions are consistent with our understanding of the Company;
- Discussing with management the potential sensitivities that could impact the forecast and considering the likelihood of these; and
- Assessing the adequacy of the going concern disclosures included within the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

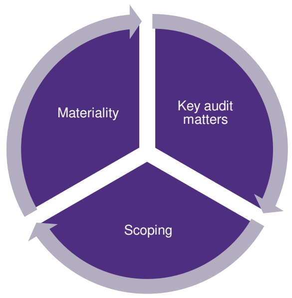
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent auditor's report to the members of Accent Capital Plc (continued)

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality: £1,108,000, which represents 0.5% of the Company's total assets.

Key audit matters were identified as:

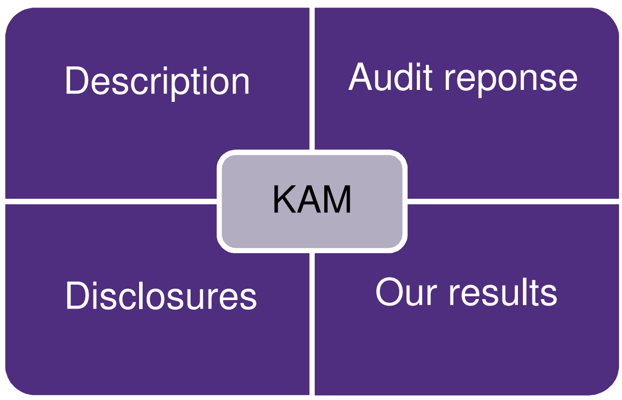
- Fixed asset investment existence (new in year).

Our auditor's report for the period from 20 May 2019 to 31 March 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to going concern, which was identified as a significant risk and a key audit matter for the Company in the prior period due to the macro-economic uncertainties present at that time. Whilst these macro-economic uncertainties still exist, we do not consider this to result in a significant risk relating to going concern for the current year.

We have performed a full-scope audit of the financial statements of the Company which, due to the limited number of balances, has resulted in all line items being tested.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters and significant risks relevant to the audit.

Independent auditor's report to the members of Accent Capital Plc (continued)

Key Audit Matter	How our scope addressed the matter
Fixed asset investment existence We identified the existence of the fixed asset investment as one of the most significant assessed risks of material misstatement due to error. As at 31 March 2021, the entire proceeds from the Company's listed bonds of £225m had been on-lent to its parent undertaking, Accent Housing Limited, under the terms of the Bond Loan Agreement. The existence of the loan recoverable asset arising under the terms of the Bond Loan Agreement is considered to be a significant risk and a key audit matter as it is the rights to a return conferred under the terms of this agreement, which substantiates the repayment of the listed bonds. If the asset did not exist then the Company would not be able to repay the debt owed to the bond holders at the end of the agreement.	In responding to the key audit matter, we performed the following audit procedures: • Updated our understanding of the systems and controls relevant to the fixed asset investment existence and confirmed our understanding by performing a walkthrough test; • Obtained the underlying agreements from management on the issuance of the bond and reviewed the clauses to ensure the amounts raised could be on lent to Accent Housing Limited; • Obtained the agreement from management in relation to the on-lend of funds raised from the Company to Accent Housing Limited and reviewed the key clauses; and • Recalculated the covenants included within the on-lending agreement.
Relevant disclosures in the Report and Financial Statements 2021 • Accounting policies: Note 1, Financial instruments; and • Financial statements: Note 7, Fixed asset investments.	**Our results** Based on our audit work, we did not identify any material misstatements with respect to the existence of the fixed asset investment.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

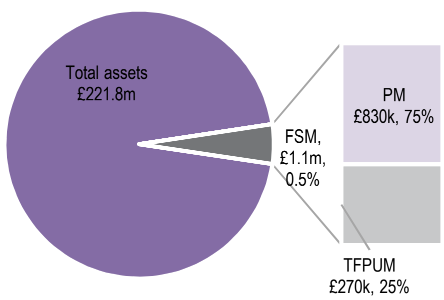
Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,108,000, which represents 0.5% of the Company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: The Company does not make a profit or loss and the only transactions within the Statement of comprehensive income are interest receivable and interest payable which reflect the on-lend between the Company and Accent Housing Limited. The significant balances are therefore the fixed asset investment and the long-term liabilities and we have concluded total assets to be the appropriate benchmark as this will determine the Company's ability to settle its liabilities. Materiality for the current year is higher than the level that we determined for the period ended 31 March 2020 to reflect the increase in total assets.

Independent auditor's report to the members of Accent Capital Plc (continued)

Materiality measure	Company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£830,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: our risk assessment identified a strong internal control environment, a small number of immaterial misstatements were identified in the prior period and no significant issues were identified in the prior period that would have an impact on the current year audit.
Communication of misstatements to the Board	We determine a threshold for reporting unadjusted differences to the Board.
Threshold for communication	£55,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



FSM: Financial statements materiality

PM: Performance materiality

TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

Understanding the Company and its environment, including controls

- The engagement team obtained an understanding of the Company, its environment and risk profile, including controls, and assessed the risks of material misstatement;

Work to be performed on financial information of the Company (including how it addressed the key audit matters)

- We identified the existence of the fixed asset investment as a key audit matter and the audit procedures performed in respect of these have been included in the key audit matters section of our report; and
- We performed a full scope audit of the financial statements of the Company.

Performance of our audit

- All of the audit work and procedures were performed remotely as a result of Government restrictions applied during the pandemic; and

Changes in approach from previous period

- In the prior period, we determined going concern to be a significant risk and a key audit matter for the Company due to the macro-economic uncertainties present at that time. Whilst these macro-economic uncertainties still exist, we do not consider this to result in a significant risk or a key audit matter relating to going concern for the current year.

Independent auditor's report to the members of Accent Capital Plc (continued)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Independent auditor's report to the members of Accent Capital Plc (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company, and the industry in which it operates. We determined that the following laws and regulations were most significant: FRS 102, the Companies Act 2006 and the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority;
- We understood how the Company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of Board minutes;
- We enquired of management whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected fraud. We corroborated the results of our enquiries to supporting documentation such as Board minutes review. From the audit procedures performed, we did not identify any material matters relating to non-compliance with laws and regulation or matters in relation to fraud;
- To assess the potential risks of material misstatement, we obtained an understanding of:
    - The Company's operations, including the expected financial statements disclosures and business risks that may result in a risk of material misstatement; and
    - The Company's control environment including the adequacy of procedures for authorisation of transactions.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - Evaluating the processes and controls established by management to address the risks related to irregularities and fraud;
    - Identifying and testing related party transactions; and
    - Testing manual journal entries, in particular journal entries relating to management's estimates, and journal entries deemed to relate to unusual transactions.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the client operates in, and its practical experience through training and participation with audit engagements of a similar nature.

Other matters which we are required to address

We were appointed by the Board on 7 March 2020 to audit the financial statements for the period ended 31 March 2020 and subsequent accounting periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is two years, covering the periods ended 31 March 2020 to 31 March 2021.

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

Our audit opinion is consistent with the additional report to the Board.

Use of our report

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

Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
8 July 2021

Statement of comprehensive income
for the period ended 31 March 2021

	Notes	2021 £'000	20 May 2019 to 31 March 2020 £'000
Turnover	1	-	-
Cost of sales	1	-	-
OPERATING PROFIT		-	-
Interest receivable and other income	3	6,085	4,275
Interest payable and financing costs	4	(6,085)	(4,275)
PROFIT FOR THE PERIOD BEFORE TAXATION	2	-	-
Taxation on ordinary activities	5	-	-
PROFIT AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	-

All amounts relate to continuing activities.

The accompanying notes on pages 18 to 23 form part of these financial statements.

Statement of changes in equity
for the period ended 31 March 2021

	Revenue reserve £'000	Share capital £'000	Total £'000
Issued share capital	-	50	50
Total comprehensive income for the period	-	-	-
	----------	---------	-----------
Balance at 31 March 2020	-	50	50
Total comprehensive income for the period	-	-	-
	----------	---------	-----------
Balance at 31 March 2021	**-**	**50**	**50**
	======	=====	======

Statement of financial position
as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed asset investments	7	220,582	220,481
Current assets			
Debtors	8	1,216	1,225
Cash at bank and in hand		13	13
		1,229	1,238
Current liabilities			
Creditors: Amounts falling due within one year	9	(1,013)	(1,025)
Net current assets		216	213
Total assets less current liabilities		220,798	220,694
Creditors: Amounts falling due after more than one year	9	(220,748)	(220,644)
Total net assets		50	50
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account		-	-
Total reserves		**50**	**50**

The accompanying notes on pages 18 to 23 form part of these financial statements.

The financial statements were approved and authorised by the board of directors on 7 July 2021 and were signed on its behalf by:

Tom Miskell
Director
Company name: Accent Capital PLC
Company number: 12007129

Notes to the financial statements

Legal status

Accent Capital PLC is a public limited company, incorporated on 20 May 2019 and registered in England and Wales, registered number 12007129. The Company is registered under the Companies Act 2006 and has listed debt on the London Stock Exchange. The registered office is Charlestown House, Acorn Park Industrial Estate, Charlestown, Shipley, West Yorkshire, BD17 7SW.

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

To issue bonds on the London Stock Exchange to the public there is a legal requirement that the issuer is a public limited company. Accent Capital PLC was incorporated on 20 May 2019 as a subsidiary of Accent Housing Limited and registered as a PLC on 3 June 2019. The financial statements are presented in sterling (£), which is also the functional currency.

1. Principal accounting policies

Basis of accounting

The financial statements of the Company have been prepared in compliance with Financial Reporting Standard 102 (FRS102) and the Companies Act 2006.

Disclosure exemptions

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

- To include a statement of cash flows, on the basis that it is a wholly owned subsidiary of Accent Housing Limited and the cashflows thereon are consolidated within the accounts of Accent Group Limited..

Going concern

In making their assessment of going concern the directors consider a period of twelve months from the date of signing the financial statements. The company is a vehicle for raising debt finance for the group and intends to carry out this function for the foreseeable future. It is a requirement of the bond that the Company continues trading as a special purpose vehicle. In order to meet interest payments and covenant requirements the Company is dependent upon Accent Housing Limited to whom the Company has on lent the proceeds of the bond as per the terms of the on-lending agreement. Accent Housing Limited has in place long term business plans which have been stress tested to demonstrate the ability to meet all of its obligations for the foreseeable future. These plans, stress tests and covenant forecasts have been shared with the Directors of Accent Capital plc and are considered appropriate for use in the determination of going concern. In addition Accent Housing Limited has indicated its ongoing support for Accent Capital PLC through the issuance of a letter of support offering ongoing financial support as at the balance sheet date.

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

Accounting judgements and estimates

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

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

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

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

1. Principal accounting policies (continued)

Interest receivable and payable

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

Bond issue costs

Costs incurred on the issue of the bond finance are recorded as a deduction from the gross proceeds of the loan and included in Creditors due within and greater than one year. The costs are amortised to the Statement of Comprehensive Income over the term of the loan using the effective interest rate.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date.

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

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

Current taxation

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

Financial instruments

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

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

Financial liabilities:

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

Financial assets:

- Loans advanced to Accent Housing Limited are classified as financial assets measured at amortised costs under FRS102 and are held at amortised cost using the effective interest rate method to allocate cost of issue, including the discount on issue.
- Accrued interest receivable on loans advanced to Accent Housing Limited is classified as “loans receivables” and held at amortised cost as debtors due within one year.

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

2. Result on ordinary activities before taxation

Bank charges and other professional fees of £2k (2020: £1k) and audit fees of £22k (2020: £21k) are paid by Accent Housing Limited for which there is no recharge.

3. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable and similar income from Group undertakings	6,085	4,275
	====	====

4. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable on bond finance	5,923	4,161
Unwinding of the bond discount	101	71
Amortisation of bond issue costs	61	43
	-------	-------
	6,085	4,275
	====	====

5. Taxation on ordinary activities

The results do not give rise to a tax charge.

6. Directors and employees

The Company did not employ any staff during the period (2020: 0).

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

7. Fixed asset investments

	2021 £'000	2020 £'000
Loans due from group undertakings	220,582	220,481
	======	======

As at 31 March 2021 the Company had on lent 100% of the receipts from the bond after discount to Accent Housing Limited. This loan is considered to be a fixed asset investment as they are intended for use on a continuing basis by Accent Housing Limited. The intercompany borrowings have a financial guarantee from Accent Housing Limited which is secured by a first fixed charge over property assets with a value in excess of total borrowings.

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

Interest is due semi-annually on 18 January and 18 July each year with a final maturity date of 18 July 2049. The effective interest rate is 2.725% before the amortisation of the discount on the issue of the bond is recharged

The credit risk as at 31 March 2021 is £226.2m which represents the total amount of funds raised from external bond holders through the bond issuance plus accrued interest. This risk to Accent Capital PLC is mitigated through several factors; housing assets held as security against the loan, the overall creditworthiness of the group and the guarantees issued by Accent Housing Limited through an intercompany loan agreement. The credit risk with bond holders is managed through the same provision of the secured housing assets and intercompany loan agreement following the on-lending of the funds which bond holders understood and accepted at issuance.

8. Debtors

	2021 £'000	2020 £'000
Prepayments and accrued income	2	1
Amounts owed by group undertakings	1,177	1,188
Unpaid called up share capital	37	37
	---------	---------
	1,216	1,225
	=====	=====

9. Creditors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Loan interest accrual	1,179	1,188
Less unamortised discount on issue due within one year	(105)	(102)
	1,074	1,086
Less bond issue costs due within one year	(61)	(61)
	1,013	1,025

	2021 £'000	2020 £'000
Amounts falling due after more than one year		
Amount due to group undertakings	1,735	1,796
Amount due to bond holders	225,000	225,000
Less unamortised discount on issue	(4,313)	(4,417)
	222,422	222,379
Less bond issue costs	(1,674)	(1,735)
	220,748	220,644

The amount due to group undertakings represents bond issue costs owed to the parent company and incurred on behalf of Accent Capital PLC.

	2021 £'000	2020 £'000
Unamortised discount on issue (see note below)	4,590	4,590
Amortised to date	(172)	(71)
	4,418	4,519

On the 18 July 2019 the Company issued £350m subordinated guarantee bonds ("the bonds"), which are due to mature 18 July 2049. These bonds are guaranteed by defined assets within Accent Housing Limited.

The Company placed £225m bonds at an issue price of 97.96% giving an effective yield of 2.725%.

The proceeds of £225m before deduction of costs associated with the issue of the bonds and after the deduction of the discount of £4,590k was then on lent to Accent Housing Limited at the same interest rate. The bond issued by Accent Capital PLC is listed on the London Stock Exchange.

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

The financial assets and liabilities have fixed interest rates, which result in interest receivable matching interest payable. As such, the Company has managed its interest rate risk. The underlying instruments are denominated in sterling and carry no foreign exchange risk. The Company's finances are actively managed in conjunction with the activities of the Group to ensure that there are sufficient funds available to meet liabilities as they fall due, which together with the undrawn £125m and the guarantees over property assets in Accent Housing Limited, mitigate any liquidity risk that the Company may face.

Bond issue costs include £35k of accountancy services provided by the auditors.

10. Financial instruments

	2021 £'000	2020 £'000
Financial assets (classed as debt instruments - amortised cost)		
Loans to group undertakings	220,582	220,481
Amounts receivable from group undertakings	1,177	1,188
Cash and cash equivalents	13	13
	221,772	221,682

	2021 £'000	2020 £'000
Financial liabilities (classed as basic financial liabilities – amortised cost)		
Other creditors	1,179	1,188
Amounts due to group undertakings	1,735	1,796
Amounts due to bond investors	218,847	218,685
	221,761	221,669

Interest rate risk
The interest rate risk profile of the financial liabilities as at 31 March 2021 was as follows:

	2021 £'000	2020 £'000
Fixed rate financial liabilities		
(£225m 2.625% coupon rate dated subordinated guaranteed bonds)	225,000	225,000
	225,000	225,000

	Weighted average fixed interest rate %	Weighted average period for which rate is fixed (years)
At 31 March 2020 and 2021		
£225m subordinated loans (effective interest rate excluding bond costs)	2.725	30

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

Maturity analysis of financial liabilities
The maturity of funding is managed in conjunction with the profile of that of Accent Housing Limited. The Accent Housing Limited objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. As noted above, the £225m comprising the total of the Company's external debt matures in 28 years.

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

	2021 £'000	2020 £'000
In greater than five years	225,000	225,000

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

10. Financial instruments (continued)

	2021 £'000	2020 £'000
In less than one year	5,906	5,906
In one to five years	23,625	23,625
Between 5 and 25 years	124,031	124,031
After 25 years	238,576	244,483
	392,138	398,045

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

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

11. Called up share capital

	2021 £	2020 £
50,000 ordinary shares of £1 each allotted:		
Issued and of which 25p per share has been paid	50,000	50,000
Current assets		
Settled in cash	12,500	12,500
Debtors falling due within one year	-	-
Debtors falling due after one year	37,500	37,500

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

12. Related parties

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

13. Parent Company

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

Accent Group Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2021. The consolidated financial statements of Accent Group Limited are available from Charlestown House, Acorn Park Industrial Estate, Charlestown, Shipley BD17 7SW.