

WM TREASURY 2 PLC

Report and Financial Statements

**For the 7 month period ended
31 March 2018**

Companies House Registered Number 10936395

**Registered office: 4040 Lakeside
Solihull Parkway
Birmingham
B37 7YN**

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COMPANY INFORMATION

Directors

The Company was incorporated on 29 August 2017. The following are all members of the Board of WM Treasury 2 plc and served as such during the period 29 August 2017 to 31 March 2018 unless otherwise stated:

Mr C Dennis
Mr S Kellas
Mr K Rodgers

Secretary

Mr S Kellas

Auditor

Beever and Struthers
St. George's House
215-219 Chester Road
Manchester
M15 4JE

STRATEGIC REPORT

The Directors present their reports and audited financial statements for WM Treasury 2 plc (“the Company”) for the 7 month period ended 31 March 2018. The Company is a member of WM Housing Group.

BUSINESS REVIEW

The Company was incorporated in August 2017 and issued its first bond on the London Stock Exchange on 20 October 2017. The issue attracted significant investor interest and was nearly 3 times oversubscribed demonstrating investors’ appetite for the UK social housing sector. The bond was a £280m 31-year fixed rate bond with an annual coupon of 3.25%. The bond was issued at a discounted price of £99.053 per £100. The discounted amount is being amortised through the statement of comprehensive income over the period to maturity. All of this funding was on-lent to the Group’s asset owning Registered Provider subsidiaries via secured loans.

The statement of comprehensive income shows a result of £nil for the period. This is in line with the Company’s role as a special purpose lending vehicle which does not seek to generate significant financial returns.

The Company benefits from the Group-centralised Treasury service with policies and procedures approved by the Group Board. These cover funding, interest rate exposures, cash management and the investment of surplus cash.

PRINCIPAL RISKS AND UNCERTAINTIES

WM Treasury 2 plc on-lends all of its proceeds from capital market transactions to asset owning subsidiaries of WM Housing Group Limited under a guarantee and security trust basis. Where capital markets funding has been on-lent, the underlying assets of the issuance belong to the relevant asset owning (i.e. homes for rent) subsidiary of WM Housing Group Limited - being Whitefriars Housing Group Limited, West Mercia Homes Limited, Optima Community Association Limited or Family Housing Association (Birmingham) Limited through a Security Trust arrangement with the Prudential Trustee Company Limited.

As WM Treasury 2 plc is not obliged to provide incremental funding to any Group asset owning subsidiaries, WM Treasury 2 plc is not at risk if it cannot obtain further funding for the WM Housing Group. All of WM Treasury 2 plc’s costs relating to providing funding services are billed to the relevant asset-owning subsidiary of WM Housing Group Limited.

Following the referendum decision on 23 June 2016 in favour of leaving the EU (“Brexit”) and the subsequent activation of Article 50 of the Lisbon Treaty on 29 March 2017, the United Kingdom is currently scheduled to depart the EU at 11pm on 29 March 2019. That departure is likely to be followed by a transition period that will last until 31 December 2020. Brexit has caused uncertainty in financial markets and the political world, and this is likely to continue as politicians negotiate our exit from the EU and put new arrangements in place. As a Group, WM Housing Group will continue to analyse the local and immediate impacts as more information becomes available, and the detailed implications will be tested through our risk management and stress testing arrangements. We are confident that our business plan and stress testing are able to withstand the likely range of pressures in the short and medium term.

FINANCIAL PERFORMANCE

The Company is a special purpose lending vehicle and does not seek to generate significant financial returns. The Company makes neither a profit nor a loss in line with its role as a special purpose lending vehicle. The Company therefore does not have financial key performance indicators.

STRATEGIC REPORT (Continued)

FUTURE DEVELOPMENT, PERFORMANCE AND POSITION

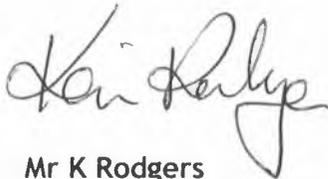
There is no retained bond element within the 20 October 2017 bond issue. The Company's future financial performance is expected to show neither a profit nor a loss.

OTHER INFORMATION

The Company has no direct employees and it exists solely to on-lend the proceeds of capital market transactions. At 31 March 2018, the Company had three male directors.

BY ORDER OF THE BOARD

Approved by the board on 6 August 2018
and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Ken Rodgers', written in a cursive style.

Mr K Rodgers
Director

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE STATEMENT

WM Treasury 2 plc has a listed security in issue and complies with the applicable sections of the Disclosure and Transparency Rules, DTR 7.1 and DTR 7.2, of the Financial Conduct Authority (“FCA”) handbook.

The Company does not have a Premium Listing and is not required to comply with the UK Corporate Governance Code (the “Code”). The Company’s corporate governance arrangements are reported by reference to relevant good practice including the National Housing Federation (“NHF”) Code of Governance - Promoting board excellence for housing associations (2015 edition) (the “NHF Code”), which has been adopted and complied with by the WM Housing Group. In fulfilling its obligations under the NHF Code, the Company follows good practice drawn from supporting guidance. A number of the provisions of the NHF Code mirror the equivalent provisions of the UK Corporate Governance Code. The NHF Code is available on the NHF website: www.housing.org.uk.

Companies within the WM Housing Group (the “Group”) do not have external shareholders. All companies in the Group (including the Company) comply with equivalent provisions in the NHF Code which relate to communications with stakeholders. The remuneration arrangements for housing associations differ from those of listed public companies (for example, the absence of share based incentives). However, the Group complies with the provisions of the NHF Code provisions on Board and executive pay.

OVERVIEW AND PRINCIPAL ACTIVITY

WM Treasury 2 plc is a wholly owned subsidiary of WM Housing Group Limited. Its objective is to source funding on behalf of WM Housing Group Limited directly from the capital markets and on-lend the proceeds to asset-owning subsidiaries of WM Housing Group. The Company’s directors are listed on page 1.

FINANCIAL RISK MANAGEMENT

Risk Management Objectives and Policies

The WM Housing Group’s Finance function is responsible for the treasury management activities and control of associated risks. Its activities are governed by the Treasury Management Policy Statement, approved by the Group’s Board, which is ultimately responsible for treasury issues in all of WM Housing Group’s legal entities, which include the Company. The Group finance function does not operate as a profit centre.

The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

Interest Rate Risk/Hedging & Market Risk

The Company currently borrows funds on a fixed rate basis from the capital markets and then on-lends these funds to asset-owning subsidiaries within WM Housing Group on a similar fixed rate basis. As such, the Company does not bear any market risk or any exposure to interest rate risk on a net basis. The Company does not undertake any hedging activities and it does not have any derivatives.

Liquidity Risk

The Company mitigates its liquidity risk in relation to principal repayments and coupon payments by lending proceeds of capital market issues on similar repayment terms to the finance instrument issued.

REPORT OF THE DIRECTORS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

All of the Company's capital markets financing proceeds are immediately on-lent to the relevant WM Housing Group subsidiary, which represents the only credit risk to the Company. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loan, the overall Regulator of Social Housing (RSH) assessment of the Group's financial viability and the contractual protection of the loan agreement between the Company and the relevant WM Housing Group subsidiary itself.

The Company is not obliged to source further funding from the capital markets for on-lending to WM Housing Group's subsidiaries. It should be noted that the WM Housing Group, which comprises WM Treasury 2 plc and asset-owning subsidiaries, has an A3 (stable) credit rating from Moody's Investor Services, which was last affirmed on 19 October 2017 when Moody's published its latest rating assessment for the WM Housing Group.

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

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 accounting estimates that are reasonable and prudent;
- 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

STATEMENTS AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of the Strategic Report and of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

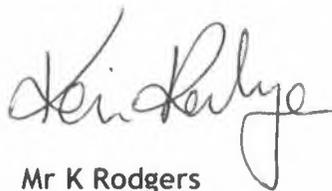
AUDITOR

Beever and Struthers are auditor to the Company and its parent, WM Housing Group Limited.

REPORT OF THE DIRECTORS (Continued)

BY ORDER OF THE BOARD

Approved by the board on 6 August 2018
and signed on its behalf by

A handwritten signature in black ink, appearing to read 'K. Rodgers', written in a cursive style.

Mr K Rodgers
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WM TREASURY 2 PLC

Our opinion is unmodified

We have audited the financial statements of WM Treasury 2 plc "the company" for the 7 month period ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the statement of changes in equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 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.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Group Audit and Risk Committee.

We were appointed as auditor (of WM Housing Group, of which the company is a subsidiary) by the directors on 23 December 2014. The period of total uninterrupted engagement for the Group is for 4 financial years ending 31 March 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Conclusions relating to going concern

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WM TREASURY 2 PLC (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We summarise below the key audit matter in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

Recoverability of Long Term Debtors

Long Term Debtors (amounts falling due in more than one year) £275.5m. Refer to pages 16 - 17 (accounting policies) and page 19 (financial disclosures).

The risk - low risk high value

The company's primary activity is to issue bonds, source investor financing and on-lend to other Group entities. It therefore has long term liabilities which relate to the bonds issued and long term intercompany debtors which relate to the loans provided to its fellow subsidiaries.

The carrying amount of the long term intercompany debtor balance, including interest, represents 99.98% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the company financial statements, this is considered to be the area that had the greatest effect on our overall company audit.

The risk stems from the expectation of the ability of the fellow subsidiaries to repay the loans in 31 years.

Our response

Our procedures included:

- **Assessment of recoverability:** Assessing 100% of intercompany long term debtors owed by fellow subsidiaries to identify, with reference to the fellow subsidiaries' financial draft balance sheet, whether they have a positive net asset value and sufficient headroom to cover the debt owed, and that future cash flow plans include repayment of the debt.
- **Test of detail:** Assessing the creditor recognised by the fellow subsidiaries and comparing it to the debtor recognised by the company.
- **Test of detail:** Assessing the balance on-loaned to the fellow subsidiaries with reference to the bond issue funds.
- **Confirmation of value:** Agreeing the proceeds to the bond issue documentation.

Our results

We found the company's assessment of the recoverability of the long term debtor balance to be acceptable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WM TREASURY 2 PLC (Continued)

Our Application of Materiality and an Overview of the Scope of the Audit

WM Treasury 2 plc is part of a Group headed by WM Housing Group Limited. The materiality for the audit of the company, regarding the Statement of Financial Position, for the period ended 31 March 2018 was £1.4m determined with reference to the average of the following benchmarks.

- 1.5% of turnover
- 5% of result before tax
- 4% of net assets
- 2% of gross assets

Materiality for the audit of the Statement of Comprehensive Income is an average of the first two benchmarks only at £31k.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £31k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 Report of the Directors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WM TREASURY 2 PLC (Continued)

Matters on which we are required to report by exception (continued)

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 web-site at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Irregularities - ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WM TREASURY 2 PLC (Continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2016. 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.

Beever and Struthers

Maria Hallows (Senior Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
St. George's House
215/219 Chester Road
Manchester
M15 4JE

Date: *6 August 2018*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

	Notes	2018 £'000
Turnover	6	4,102
Cost of Sales	7	<u>(4,102)</u>
Profit on ordinary activities before taxation		-
Tax on profit on ordinary activities	8	<u>-</u>
Total comprehensive income for the period		<u><u>-</u></u>

All activities from the company are from continuing operations.

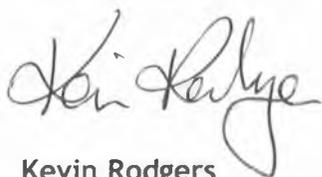
The notes on pages 16 - 22 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

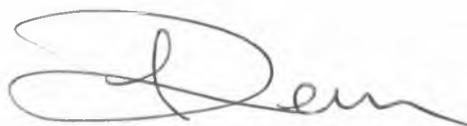
	Notes	2018 £'000
Current Assets		
Debtors due within one year	9	4,102
Debtors due after one year	9	275,500
Cash		13
		<u>279,615</u>
Creditors: Amounts falling due within one year	10	<u>(4,102)</u>
Net Current Assets		275,513
Creditors: Amounts falling due after more than one year	11	<u>(275,463)</u>
Net Assets		<u><u>50</u></u>
Share Capital and Reserves		
Called up share capital	14	50
Profit and loss account		-
		<u>50</u>
Total Shareholders' Funds		<u><u>50</u></u>

The notes on pages 16 - 22 are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 6 August 2018 and signed on its behalf by:



Kevin Rodgers
Director



Colin Dennis
Director

Companies House Registered Number 10936395

STATEMENT OF CHANGES IN EQUITY FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

	Called up share capital £'000	Profit & Loss account £'000	Total £'000
At 29 August 2017	50	-	50
Profit/(loss) for the period	-	-	-
Total comprehensive income for the period	-	-	-
At 31 March 2018	50	-	50

The notes on pages 16 - 22 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

	2018 £'000
Cash flows from operating activities	
Profit for the financial period	-
Changes in:	
Trade and other debtors	(279,565)
Trade and other creditors	279,565
Cash generated from operations	-
Receipt from share capital issue	13
Net increase in cash and cash equivalents	13
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	13

The company's cash increase is due to the initial paid up share capital investment of WM Housing Group Limited. Otherwise the company has no cash inflows or outflows. Capital market issue proceeds, interest payments and capital market redemption monies are received/made by the relevant legal entity to which the company has on-lent the proceeds of any capital market transactions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018**

LEGAL STATUS

WM Treasury 2 plc is incorporated in England under the Companies Act 2006 as a public limited company with share capital. The registered office is: -

4040 Lakeside
Solihull Parkway
Birmingham Business Park
B37 7YN

1 STATEMENT OF COMPLIANCE

The Financial Reporting Council (FRC) has recently conducted its planned triennial review of FRS102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'. The result of this review is that an updated version of the standard, FRS102 (March 2018) has been released, applicable to accounting periods beginning on or after 1 January 2019. Early application is permitted provided that all amendments are applied at the same time. The financial statements have therefore been prepared in compliance with FRS102 (March 2018).

2 ACCOUNTING POLICIES

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In the opinion of the Directors, the Company is expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on the going concern basis.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis. The financial statements are prepared in sterling, which is the functional currency of the company.

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period.

The Company's only use of estimation relates to the measurement of its financial instruments. The measurement is determined in line with the effective interest calculation that results in the financial instrument balance equalling its maturity amount immediately before settlement. The measurement at each balance sheet date until maturity of each financial instrument can be mathematically determined at the inception of the financial instrument.

(c) Revenue recognition

Turnover represents interest receivable on facilities lent to members of the Group. All turnover arose on activities undertaken in the UK.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018**

2 ACCOUNTING POLICIES (Continued)

(d) Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments, where a financing transaction, are initially recognised at fair value including any premium or discount on issue and subsequently measured at amortised cost using the effective interest method.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

(e) Segmental information

The Company has one class of business from which it derives its income being to provide funding to other Group asset owning subsidiaries. All interest income, expenditure and net assets are derived from UK operation.

(f) Taxation

Any charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(g) Bond issue costs

All of the Company's costs related to providing funding services are billed to the asset-owner to whom the proceeds of a capital markets issue have been on-lent.

3 OPERATING PROFIT

During the period, the Company recharged interest paid on loans to the asset-owning borrower to whom the proceeds of the capital markets issue were on-lent. Consequently during the period the Company made neither a profit nor a loss.

Audit fees for the Company are paid for by the parent company, WM Housing Group Limited and disclosed within its consolidated financial statements. The proportion of the audit fee attributable to the Company is £4k. Non audit fees paid for within the £280m bond issue costs amounted to £25k (excl. VAT).

4 EMPLOYEES

The Company does not have any employees. All employees acting on behalf of the Company are employed by WM Housing Group Limited or one of its asset-owning subsidiaries, whose costs are disclosed in those financial statements.

5 BOARD OF DIRECTORS' REMUNERATION

The directors of WM Treasury 2 plc are employed and remunerated by WM Housing Group Limited or one of its asset-owning subsidiaries. Full accounting disclosures on Directors' remuneration are therefore included within the respective Group member's accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

6 TURNOVER

	2018 £'000
Interest receivable from Group undertakings	4,102
	<u>4,102</u>

7 COST OF SALES

	2018 £'000
Interest payable to bond holders	4,064
Other finance costs including arrangement fees amortised or written off	38
	<u>4,102</u>

8 TAXATION

	2018 £
UK Corporation Tax	
UK Corporation Tax on surplus for the period	-
	<u>-</u>
The tax assessed on the surplus on ordinary activities for the period is lower than the rate of Corporation Tax in the UK of 19%	
Profit/(Loss) on ordinary activities before tax	-
	<u>-</u>
Corporation Tax calculated as surplus on activities before tax, multiplied by 19%	-
	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

9 DEBTORS

	2018 £'000
<u>Due within one year</u>	
Interest from Group undertakings	4,102
	<u>4,102</u>
<u>Due after one year</u>	
Loans to Group undertakings	275,463
Unpaid share capital (note 14)	37
	<u>275,500</u>

10 CREDITORS: amounts falling due within one year

	2018 £'000
Interest accrual	4,102
	<u>4,102</u>

11 CREDITORS: amounts falling due in more than one year

	2018 £'000
Debt falling due after more than 5 years:	
<u>Issue 20/10/48 - 3.25% (semi-annual coupon)</u>	
October 2017 bond issue proceeds	280,000
Discount on October 2017 issue	(2,652)
Net bond proceeds	<u>277,348</u>
Less arrangement fees	(1,885)
	<u>275,463</u>

On 20 October 2017, WM Treasury 2 plc issued a 31 year £280 million fixed rate bond with an annual coupon of 3.25% with no retained element.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

12 ANALYSIS OF CHANGES IN NET DEBT

	At Beginning of the Period £'000	Cash Flows £'000	Non-Cash Movements £'000	At End of the Period £'000
Cash and Cash Equivalents	-	13	-	13
Housing Loans Due in One Year	-	-	-	-
Housing Loans Due After One Year	-	(277,348)	1,885	(275,463)
	-	(277,335)	1,885	(275,450)

13 FINANCIAL INSTRUMENTS

The Company had the following financial instruments:

	2018 £'000
Financial assets	
(a) Financial assets measured at fair value through profit and loss	-
(b) Financial assets that are debt instruments measured at amortised cost:	
a. Cash at bank and in hand	13
b. Amounts owed by Group undertakings	279,602
(c) Financial assets that are equity instruments measured at cost less impairment	-
	<u>279,615</u>
Financial liabilities	
(a) Financial liabilities measured at amortised cost	
a. Bond issue 20/10/48	275,463
b. Interest accrual (trade creditor)	4,102
(b) Derivative financial instruments designated as hedges of variable interest rate risk	-
(c) Financial liabilities measured at fair value through profit or loss	-
(d) Loan commitments measured at cost less impairment	-
	<u>279,565</u>

The £280 million bond issue was secured by fixed charges over 8,189 of the Group's properties. The combined value of the 7,679 properties valued for security purposes at Existing Use Value Social Housing was c. £306m. The combined value of the 510 properties valued for security purposes at Market Value Subject to Tenancy was c. £40.5m. The carrying value of these assets at cost within the relevant asset owning subsidiary accounts as at 31 March 2018 is £121.05m.

No collateral has been called in the period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

13 FINANCIAL INSTRUMENTS (Continued)

All of WM Treasury 2 plc's costs relating to providing funding services are billed to the relevant asset-owning subsidiary of WM Housing Group Limited.

The market value of the 31-year £280m, 3.25% instrument (repayable on 20 October 2048) as at 31 March 2018 is £293.192m (2017: N/A). This value reflects the quoted price on the reporting date. The effective interest rate at which the coupon payments and arrangement fees are being charged to the Profit & Loss account is 3.335%

The risks faced by this company have been disclosed within the Strategic Report and Report of the Directors on pages 2 and 4 respectively.

14 ORDINARY SHARE CAPITAL

	2018 £
Authorised and issued share capital	
Ordinary shares of £1 each	<u>50,000</u>
Allotted, called up and fully paid share capital:	
Ordinary shares of £1 each	<u>12,500</u>

WM Housing Group Limited is the registered holder of 50,000 shares of £1 of which £12,500 has been paid. The shares were issued on incorporation of the Company on 29 August 2017. WM Housing Group Limited acquired its 50,000 ordinary shares on 29 August 2017 and paid £12,500. The remaining unpaid share capital (£37,500) is shown within debtors (note 9).

15 RELATED PARTIES

The parent and ultimate parent of WM Treasury 2 plc is WM Housing Group Limited, a Co-operative and Community Benefit Society, registered in England and Wales.

Relationships between registered and non-registered elements of the business

The table below shows where relationships exist between WM Housing Group members.

	WMHG	WF	WMH	OCA	FHA	WMD	WMT	WMT2	WMTV	WBS	AGES
WMHG		✓	✓	✓	✓	✓					
WF	✓		✓	✓	✓	✓	✓	✓	✓	✓	
WMH	✓	✓		✓		✓		✓	✓		
OCA	✓	✓	✓					✓	✓		✓
FHA	✓	✓						✓	✓		
WMD	✓	✓	✓								
WMT		✓									
WMT2		✓	✓	✓	✓						
WMTV		✓	✓	✓	✓						
WBS		✓									
AGES				✓							

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 7 MONTH PERIOD ENDED 31 MARCH 2018

15 RELATED PARTIES (Continued)

Entities in the table are abbreviated as follows and [R] denotes where the entity is a Registered Provider

WM Housing Group Limited [R]	WMHG	WM Treasury plc	WMT
Whitefriars Housing Group Limited [R]	WF	WM Treasury 2 plc	WMT2
West Mercia Homes Limited [R]	WMH	WM Treasury Vehicle Limited	WMTV
Optima Community Association Limited [R]	OCA	Whitefriars Business Services Limited	WBS
Family Housing Association (Birmingham) Limited [R]	FHA	Attwood Green Estate Services Limited	AGES
West Mercia Development Limited	WMD		

Transactions with registered elements of the Group

The Association receives services from Group parent and fellow subsidiaries and provides management and other services to other Group entities.

	WMHG	WF	WMH	OCA	FHA
	£'000	£'000	£'000	£'000	£'000
2018	-	2,710	249	1,040	103

WM Treasury 2 plc issued its first bond on the London Stock Exchange in October 2017. The bond raised £275million (net of issue costs) at a coupon of 3.25% and the proceeds have been on-lent and interest costs are recharged to Whitefriars Housing Group Limited, West Mercia Homes Limited, Optima Community Association Limited and Family Housing Association (Birmingham) Limited.

Registered entity	Recharge	Cost in period £'000	Balance at period end £'000
Whitefriars Housing Group	Loan interest	2,710	184,713
West Mercia Homes	Loan interest	249	16,973
Optima Community Association	Loan interest	1,040	70,890
Family Housing Association	Loan interest	103	6,989
TOTAL		4,102	279,565

Transactions with non-registered entities

There were no transactions with non-registered elements of the business in the period ended 31 March 2018 (2017 : N/A).

16 CONTROLLING PARTY

The parent and ultimate parent of WM Treasury 2 plc is WM Housing Group Limited, a Co-operative and Community Benefit Society, registered in England and Wales. WM Housing Group Limited accounts, being the only Group accounts in which WM Treasury 2 plc is consolidated, are available from its registered office; 4040 Lakeside, Solihull Parkway, Birmingham, B37 7YN.