Registered Number: 8676596

Help to Buy (HMT) Limited

Annual Report and Accounts

For the period 4 September 2013 to 30 September 2014

HELP TO BUY (HMT) LIMITED

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CORPORATE INFORMATION

Date of incorporation
3 September 2013

Registered number
8676596

Directors
Gwyneth Nurse (from 1 May 2015)
Kirstin Baker
Alison Cottrell (to 1 May 2015)

Registered office
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Auditors
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Bank
Government Banking service (GBS)

DIRECTORS' REPORT

The directors present their report and financial statements for the accounting period of Help to Buy (HMT) Limited (the "Company") from 4 September 2013 to 30 September 2014. The directors of the Company are Gwyneth Nurse, Director of Financial Services, HM Treasury, and Kirstin Baker, Finance and Commercial Director, HM Treasury.

Principal activity

The Company was incorporated on 3 September 2013 as Help to Buy (HMT) Limited. Its sole activity is to operate the Help to Buy mortgage guarantee scheme on behalf of HM Treasury. The Company manages the receipts and retention of commercial fees and the payment of associated expenses and claims made under the Scheme as an agent of HM Treasury.

The Help to Buy mortgage guarantee scheme was launched in January 2014 to support potential homeowners across the UK who can afford interest repayments on a high loan to property value mortgage but are unable to save a large deposit. It offers mortgage lenders the option to purchase a guarantee on mortgages where a borrower has a deposit of between 5% and 20%. The guarantee compensates lenders for a portion of net losses suffered in the event of repossession. The Scheme Rules are published at https://www.gov.uk/government/publications/help-to-buy-mortgage-guarantee-scheme-rules.

The fee charged to lenders for the purchase of a guarantee is based on a cost neutral approach and allows for expected losses on guarantees and recovery of administrative costs. The Company invoices lenders for the fees on behalf of HM Treasury, which is the guarantor of the scheme. It retains the cash for the purpose of making payments to suppliers for the operation of the Scheme and to lenders for claims for losses under the guarantees on behalf of HM Treasury. The guarantees and associated income are recognised by HM Treasury.

The Scheme will close to new mortgage lending after three calendar years, at December 2016, or at the point when guarantees to the value of £12 billion have been issued, if earlier. As at 30 September 2014, HM Treasury's maximum potential liabilities under this intervention are estimated to be £407 million. For up to 7 years after a guarantee is issued, a lender can make a claim which can crystallise up to twenty four months later, depending on the type of claim. Therefore, the Company is expected to remain in operation until 2024-25, after which the Company is expected to be wound up. Any residual retained earnings will accrue to HM Treasury.

Governance

The Company draws its staff resource from HM Treasury and operates in general under the governance and control arrangements in place for HM Treasury. These arrangements are described in the HM Treasury Annual Report and Accounts and have not been duplicated in this report. The HM Treasury Annual Report and Accounts are published at https://www.gov.uk/government/collections/hmt-annual-report.

HM Treasury has arranged for the Company to contract with UKAR Corporate Services Limited (UKARcs) for the day to day operation of the Scheme. UKARcs is a wholly owned subsidiary of UK Asset Resolution Limited (UKAR) which itself is wholly owned by HM Treasury. Key to effective management of the Scheme are the governance arrangements within UKARcs and the relationship through which HM Treasury manages UKARcs outputs.

The services to be delivered by UKARcs are defined in a service schedule with an accompanying service level agreement (SLA). A Service Review Board comprising representatives from HM Treasury and UKAR meets monthly to discuss progress of the Scheme. Key information and decisions are discussed at the HM Treasury Senior Steering Board on a quarterly basis (or more frequently as needed).

Dividend
The directors have recommended that no dividend be paid for the year.

Audit
Each of the persons who were directors at the time this report was approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; *and*
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the Board on 2 July 2015 and signed on its behalf.

Gwyneth Nurse
Director

Kirstin Baker
Director

STRATEGIC REPORT

The Company operates the Help to Buy mortgage guarantee scheme on behalf of HM Treasury. It manages the receipts and retention of commercial fees and the payment of associated expenses and claims made under the Scheme as an agent of HM Treasury. The Scheme commenced providing guarantees from 2 January 2014 although lenders were able to start offering mortgages supported by the Scheme three months earlier. The Company was therefore set up in September 2013 and started issuing invoices from February 2014.

The Commercial fees collected on behalf of HM Treasury are intended to provide the Company with sufficient funds to meet the payments required to compensate lenders for losses on guaranteed mortgages, and the operational and administrative costs of the Scheme. Under the Deed of Guarantee, these fees are due to HM Treasury; an agreement between the Company and HM Treasury allows the Company to retain any fees paid to defray its expenses in operating the Scheme, with any accumulated excess of fees paid over expenses incurred repayable to HM Treasury. Should these fees prove insufficient to meet liabilities falling due, HM Treasury has committed to provide the Company with the necessary funds to pay costs incurred under the Scheme. As long as these arrangements remain in place, the Company does not expect to report a profit or loss over the lifetime of the Scheme. The Company made a nil surplus in 2013-14, in line with these expectations.

The financial statements have been prepared on a going concern basis, on the basis that the Company is expected to be able to continue to fund its liabilities and contractual obligations given the arrangements the Company has with HM Treasury to continue to meet its operating costs. Further, in the event of a shortfall in resources, the Treasury has undertaken to provide the necessary funding to enable the company to continue in operation.

The Company issues invoices to lenders as an agent of the Treasury and retains the cash to pay out associated expenses and any claims as they arise. As related expenses arose before receipt of cash initially, the Treasury provided working capital to the Company of £7.9 million during the period which the Company expects to repay in July 2015.

As at 30 September 2014, £644 million had been guaranteed, supporting 30,269 mortgages and £4.450 billion of lending. No lender claims for losses had been received as at 30 September 2014.

Further information
Statistical information about the scheme is published on the GOV.UK website: https://www.gov.uk/government/collections/help-to-buy-mortgage-guarantee-scheme-quarterly-statistics.

This report was approved by the Board on 2 July 2015 and signed on its behalf

Kirstin Baker
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year or period. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 for the period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and 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; and
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HELP TO BUY (HMT) Limited

I have audited the financial statements of Help to Buy (HMT) Limited for the financial period ended 30 September 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

Respective responsibilities of the directors and the auditor

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. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2014 and of the nil profit for the period then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In my opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept; 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
- I have not received all of the information and explanations I require for my audit.

Matthew Kay (Senior Statutory Auditor)

2 July 2015

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

London

SW1W 9SP

STATEMENT OF COMPREHENSIVE INCOME
For the period 4 September 2013 to 30 September 2014

	Note	2013-14
		£000
Funding from HM Treasury		(8,035)
Operating expenses	2	8,035
Profit / (loss) before tax		-
Taxation	3	-
Profit / (loss) for the financial period		-

All income and expenditure are derived from continuing operations.

The notes on pages **14 - 18** form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 30 September 2014

	Note	At 30 Sep 2014
		£000
Assets		
Cash at bank		24,978
Trade and other receivables	4	2,105
Total assets		**27,083**
Liabilities		
Trade and other payables	5	(27,083)
Total liabilities		**(27,083)**
Equity		
Capital and reserves		
Issued capital (Ordinary shares £2)	7	-
Total equity and liabilities		**(27,083)**

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 2 July 2015

Kirstin Baker
Director

The notes on pages **14 - 18** form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
For the period 4 September 2013 to 30 September 2014

	Share capital £	Retained earnings £	Total £
At 4 September 2013	2	-	2
Profit/(Loss) for the period	-	-	-
At 30 September 2014	**2**	**-**	**2**

The notes on pages **14 - 18** form part of these financial statements.

STATEMENT OF CASH FLOWS
For the period 4 September 2013 to 30 September 2014

	Note	Period 4 Sep 2013 to 30 Sep 2014 £000
Cash flows from operating activities		
Profit/(Loss) before taxation for the financial period	SOCI	-
Adjustment for increase in receivables		(2,105)
Adjustment for increase in current payables		27,083
Net cash (outflow)/inflow from operating activities		**24,978**
Net cash flow from investing activities		-
Net cash used in financing activities		-
Net increase/(decrease) in cash and cash equivalents		**24,978**
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		**24,978**

The notes on pages **14 - 18** form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of accounting policies

Help to Buy (HTB) Limited (the Company) is a private limited company incorporated on 4 September 2013 and domiciled in the United Kingdom. These are the first financial statements of the Company and cover the period from 4 September 2013 to 30 September 2014. On 10 June 2015 the Company changed its accounting reference date from 30 September to 31 March to align to the year end of the Company's ultimate parent, HM Treasury.

These financial statements were authorised for issue by the Board of directors on 2 July 2015 and the Statement of Financial Position was signed on the board's behalf by Kirstin Baker.

These financial statements were prepared in accordance with EU adopted IFRS and Interpretations. They also take account of requirements in the Government Financial Reporting Manual (FReM) where these are material and do not conflict with EU adopted IFRS.

The Company's financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£000). The Company's results are included in the consolidated financial statements of the HM Treasury Group which are available on the GOV.UK website.

1.1 IFRS in issue but not yet effective

These financial statements apply the EU adopted IFRS and Interpretations in place with an effective date of application of periods starting 4 September 2013 or earlier. Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Company, are:

- IFRS 9 *Financial Instruments* is effective for reporting periods starting on or before 1 January 2018 but has not been adopted by the EU. If adopted it is not expected to have a material impact on the disclosures or on the amounts recognised in the Company's financial statements.

1.2 Basis of preparation

These financial statements have been prepared on an accruals basis using the historical cost convention in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the significant accounting policies is set out below. The preparation of the financial statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates.

The going concern assumption has been applied in the preparation of these financial statements for the reasons stated in the Strategic Report.

No statement of other comprehensive expenditure has been prepared as all income and expenditure is reported in the statement of comprehensive income.

1.3 Revenue recognition

All income is accounted for in accordance with IAS 18 Revenue Recognition.

Where Value Added Tax ('VAT') is charged, income is stated net of VAT.

The Company acts as an agent for HM Treasury, collecting commercial fees from Lenders on behalf of HM Treasury which has provided the guarantee. As guarantor, HM Treasury recognises the fees as revenue in its financial statements in full. HM Treasury allows the company to retain fees in order to defray the costs of operating the Scheme, with any excess of fees received over expenses incurred being repayable to HM Treasury. The economic benefit arising in any single accounting period in respect of commercial fees is therefore limited to the costs incurred by the Company in connection with the Scheme.

The revenue recognised by the Company is therefore limited to the amount of these costs.

1.4 Tax

1.4.1 Value added tax

Value added tax (VAT) on purchases is charged to the statement of comprehensive income, to the extent that it is irrecoverable and included under the heading relevant to the type of expenditure. Where VAT is recoverable in respect of the company's expenditure, it is recovered through its VAT Group by UKARcs.

Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.4.2 Corporation tax

The charge for taxation is based on the Company's result for the period and takes into account taxation deferred or accelerated arising from temporary differences between the carrying amounts of certain items for taxation and for accounting purposes.

1.4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions. These are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Bank overdraft amounts will be identified separately in the Statement of Financial Position.

1.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.5.1 Categories of financial instruments

In accordance with IAS 39 Financial Instruments Recognition and Measurement, financial instruments are classified at initial recognition into the following categories: (i) financial assets at fair value through profit or loss; (ii) available-for-sale financial assets; (iii) loans and receivables; (iv) held-to-maturity financial assets; (v) financial liabilities at fair value through profit or loss; *or* (vi) financial liabilities at amortised cost. The Company holds loans and receivables and financial liabilities at amortised cost.

Loans and receivables are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market.

Financial liabilities at amortised cost are non-derivative financial liabilities that are not classified as financial guarantees.

Amortised cost is the amount measured at initial recognition, adjusted for subsequent principal and other payments, less cumulative amortisation calculated using the effective interest rate (EIR) method at the rate applicable at the date of recognition. Amortisation is taken to interest income or expense depending on whether the instrument is an asset or a liability. For assets, the amortised cost balance is reduced where appropriate by an allowance for amounts which are considered to be impaired or uncollectible.

1.5.2 Measurement of financial instruments

Loans and receivables are carried at amortised cost at the rate applicable at the date of recognition, less any impairment, with any impairment being charged to the Statement of Comprehensive Income.

Financial liabilities at amortised cost are measured at amortised cost using the effective interest method, allocating the interest expense over the relevant period.

Transactions are accounted for on trade date.

1.5.3 Impairment of financial assets

Financial assets carried at amortised cost are reviewed for indications of possible impairment throughout the year and at each published reporting date. Generally, an impairment loss is recognised if, and only if, there is objective evidence that a loss event (or events) has occurred after initial recognition and before the reporting date and has a reliably measurable impact on the estimated future cash flows of the financial asset or group of financial assets. Losses that are incurred as a result of events occurring after the reporting date are not recognised.

1.5.4 De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where HM Treasury has transferred substantially all risks and rewards of ownership.

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

2. Operating expenses

	2013-14 £000
Auditor's fees	12
Scheme administration	5,725
Other	2,298
	8,035

Administration expenses comprise charges by UK Asset Resolution Corporate Services Limited (UKARcs) for administering the scheme as agent for HM Treasury, auditor's fees and bank charges.

The company employed no staff during the period and no directors' remuneration was paid.

3. Taxation

No corporation tax liability has arisen in respect of the period from 4 September 2013 to 30 September 2014 as no taxable profits have been generated by the trading activity in this period.

4. Trade and other receivables

	2013-14 £000
Prepayments	2,105
	2,105

Prepayments comprise the advance payment of the UKARcs management charge. UKARcs submits an invoice to the Company quarterly with an estimated charge for the quarter. The items constituting the charge are later assessed by the UKARcs internal auditors who approve the final outturn charge for the quarter. Any difference between the estimated and approved amounts is aggregated with the invoice estimate for the following quarter and, until this is done, result in a payable or receivable for the Company.

When payments are made to UKARcs, a corresponding reduction is recognised to the Company's liability to HM Treasury for commercial fees held on behalf of HM Treasury.

5. Trade and other payables

	2013-14
	£000
HM Treasury payables	19,190
Accruals	34
Cash advance from HM Treasury	7,859
	27,083

Trade and other payables comprise:

- a payable to HM Treasury reflecting the fact that under the Deed of Guarantee, fees are due from lenders to HM Treasury – under separate agreement the Company is allowed by HM Treasury to retain these fees, but any accumulated excess of fees retained over expenses incurred is repayable to HM Treasury;
- accruals related to suppliers for services provided to the Company; and
- a cash advance of £7,859,031 made by HM Treasury to meet set-up costs and for use as working capital until the Company's cash flow was sufficient to support its activities.

6. Financial instruments risk

As the cash requirements of the Company are met by HM Treasury, financial instruments play an insignificant role in creating risk than would apply to a non-public sector body.

Lenders' fees are intended to provide the Company with sufficient resources to compensate lenders for losses on guaranteed mortgages after administrative costs. The Company is not intended to report a profit or loss over the lifetime of the scheme. The Company has recourse to HM Treasury for resources sufficient to compensate lenders for losses under their guarantees should this be required and therefore the Company is exposed to minimal credit, liquidity or market risk.

7. Issued Capital

	2013-14
Authorised equity: Ordinary shares of £1 each	2
Authorised equity: Allotted, called up and fully paid	£2

In accordance with the Companies Act 2006, the Company does not have authorised capital other than its issued capital.

The Ordinary shares rank equally in respect of rights attached to voting, dividends and in the event of a winding up.

No dividends were declared or paid in 2013-14 on the Company's Ordinary shares.

8. Parent company

As at 30 September 2014, the Company is a wholly owned subsidiary of HM Treasury, owned by the Treasury Solicitor as nominee shareholder. It is registered in England and Wales and operates in the United Kingdom. Its principal place of business is:

1 Horse Guards Road
London SW1A 2HQ

Consolidated accounts of the HM Treasury Group can be obtained from the above address or via https://www.gov.uk/government/collections/hmt-annual-report

9. Related party transactions

The Company acts as an agent for HM Treasury, collecting commercial fees from the Lenders for guarantees provided under the Scheme, and also making payments to Lenders for claims made under the Scheme, as well as to the Scheme's suppliers for services provided to the Scheme. The Company recognises a liability for the funds that it holds on behalf of HM Treasury.

The Company pays administration services to UKARcs, another HM Treasury Group company. Total expenditure with UKARcs for the year was £5.7m. UKARcs expenses relating to future years of £2.1m were prepaid in the period.

HM Treasury has provided a guarantee to the Company that in the event that the Company has insufficient funds to make payments to Lenders making claims under the HTB scheme, or to make payments to suppliers for expenses incurred in connection to the HTB scheme, that HM Treasury would provide the Company with the necessary funds to meet these payments.

As disclosed in Note 5, HM Treasury made a cash advance of £7.9m to the Company.

There have been no transactions between the Company and key members of the management (or any other HM Treasury staff).

10. Events after the reporting period

On 10 June 2015 the Company changed its accounting reference date from 30 September to 31 March to align to the year end of the Company's ultimate parent, HM Treasury. The next accounting period will be 1 October 2014 to 31 March 2016.

11. Date of authorisation for issue of the financial statements

These financial statements were authorised for issue by the Accounting Officer on 2 July 2015.