

GESB PLC
Annual report and financial
statements
Registered number 2883741
31 January 2016

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STRATEGIC REPORT

The directors present their strategic report of GESB Plc ('the Company') for the year ended 31 January 2016.

GENERAL

Principal activities

The Company is a special purpose vehicle originally set up in 1994. Its only activity is to hold debenture stock which was acquired on 12 July 1994 and to service bonds acquired on the same date to finance the purchase.

The Company has no direct competitors.

GESB PLC's main overall financial aim is to break even at the end of its 25 year life.

REVIEW OF THE BUSINESS

Results

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The total comprehensive income after taxation for the year was £614 (2015: £8,153).

Financial risks

The financial risks of the Company were addressed by the directors when the company set up the financial agreements. The Company's financial receivables are loans due from housing associations via an intermediate company and its financial payables are issued bonds. The financial liabilities are matched by the same nominal value of financial assets. The interest rates are fixed eliminating interest rate risks.

Professional services fees have been largely fixed which, in conjunction with the above, results in a steady surplus for the life of this special purpose vehicle.

The recoverability of the investment in unlisted debt securities is dependent on the collections from underlying receivables. Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The Directors have considered the investment in unlisted debt securities and are satisfied that it is fully recoverable.

By order of the board



Mr Andreas Demosthenous
On behalf of Wilmington Trust SP Services (London)
Limited
Director
15 July 2016

Directors' report

The directors present their report and audited financial statements of GESB PLC for the year ended 31 January 2016. The Company is incorporated as a public limited company and domiciled in the United Kingdom.

Dividends

The directors do not recommend the payment of a dividend (2015: *£nil*).

Directors and directors' interest

The following directors held office during the year:

Wilmington Trust SP Services (London) Limited
Miss M Clarke
Mr M H Filer

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Policy and practice on payment of creditors

It is the Company's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers. The Company owed no amounts to trade creditors at 31 January 2016 (31 January 2015: *£nil*).

Disclosure of information to auditor

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are 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 information and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP was appointed as auditor during the year and is deemed to be reappointed under Section 487 of the Companies Act 2006.

By order of the board



Mr Andreas Demosthenous
On behalf of Wilmington Trust SP Services (London)
Limited
Director

Third Floor, 1 King's Arms Yard
London
EC2R 7AF

15 July 2016

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

The directors are responsible for preparing the Strategic Report and the 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 elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

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 judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

KPMG LLP

15 Canada Square
London
EC14 5GL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GESB PLC

We have audited the financial statements of GESB PLC for the year ended 31 January 2016 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GESB PLC ***(continued)***

Matters on which we are required to report by exception

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

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

Ashley Rees (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
EC14 5GL

18 July 2016

Profit and Loss Account
for the year ended 31 January 2016

	<i>Note</i>	2016 £	2015 £
Continuing operations			
Income from fixed asset investments	5	9,978,701	9,867,047
Interest payable and similar charged on bonds in issue	6	(9,540,596)	(9,470,698)
		<hr/>	<hr/>
Gross profit		438,105	396,349
Administrative expenses		(437,714)	(387,718)
		<hr/>	<hr/>
Operating profit		391	8,631
Other interest receivable and similar income	7	376	367
		<hr/>	<hr/>
Profit on ordinary activities before after taxation	2	767	8,998
Tax on profit on ordinary activities		(153)	(845)
		<hr/>	<hr/>
Profit for the financial year		614	8,153
		<hr/> <hr/>	<hr/> <hr/>

Notes on pages 10 to 18 form part of the financial statements.

Balance Sheet

As at 31 January 2016

	Note	2016	2015
		£	£
Fixed assets			
Investments	9	100,475,338	99,253,118
Current assets			
Debtors:			
Falling due within one year	10	2,417,591	2,377,132
Falling due after more than one year	11	945,056	1,384,686
		<u>3,362,647</u>	<u>3,761,818</u>
Cash at bank and in hand		152,156	164,184
		<u>3,514,803</u>	<u>3,926,002</u>
Creditors: amounts falling due within one year	12	<u>(1,877,361)</u>	<u>(1,877,208)</u>
Net current assets		<u>1,637,442</u>	<u>2,048,794</u>
Total assets less current liabilities		<u>102,112,780</u>	<u>101,301,912</u>
Creditors: amounts falling due after more than one year	13	<u>(101,862,650)</u>	<u>(101,052,396)</u>
Provision for liabilities and charges	14	<u>(15,899)</u>	<u>(15,899)</u>
Net assets		<u>234,231</u>	<u>233,617</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account	18	184,231	183,617
Shareholders' funds	19	<u>234,231</u>	<u>233,617</u>

These financial statements of GESB Plc, registration number 02883741, on pages 6 to 18 were approved by the board of directors on 15 July 2016 and were signed on its behalf by:



Mr Andreas Demosthenous
On behalf of Wilmington Trust SP Services (London) Limited
Director

Statement of changes in equity
for the year ended 31 January 2016

	<i>Note</i>	Called up share capital £	Retained earnings £	Total £
Balance as at 1 February 2014	<i>15</i>	50,000	175,464	225,464
Profit for the year ended 2015		-	8,153	8,153
Other comprehensive income		-	-	-
Total comprehensive income		-	<u>183,617</u>	<u>233,617</u>
Balance as at 31 January 2015		50,000	183,617	233,617
<hr/>				
Balance as at 1 February 2015		50,000	183,617	233,617
Profit for the year ended 2016		-	614	614
Other comprehensive income		-	-	-
Total comprehensive income		-	<u>184,231</u>	<u>234,231</u>
Balance as at 31 January 2016	<i>19</i>	<u>50,000</u>	<u>184,231</u>	<u>234,231</u>

Cash Flow Statement
for the year ended 31 January 2016

	<i>Note</i>	2016 £	2015 £
Cash flows from operating activities			
Profit on ordinary activities after tax		614	8,153
Adjustments to reconcile profit to net cash flows from operating activities:			
Amortisation of discount on debt securities issued	6	810,254	740,355
Amortisation of discount of debt securities purchased	5	(1,222,220)	(1,110,566)
Decrease in debtors		399,171	358,720
Increase in creditors		-	4,050
Tax		(223)	478
Net cash (outflow)/inflow from operating activities		(12,404)	1,190
Investing activities			
Other interest	16	376	367
Net cash inflows from investing activities		376	367
Net (decrease)/increase in cash and cash equivalents		(12,028)	1,557
Cash and cash equivalents at 01 February		164,184	162,627
Cash and cash equivalents at 31 January	17	152,156	164,184

Notes

(forming part of the financial statements)

1 Accounting policies

GESB PLC is a limited company incorporated and domiciled in the United Kingdom with registered number 02883741 and has its registered office at 1 King's Arms Yard, London, EC2R 7AF.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Statement of compliance

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 January 2016. The Company's first transition period is the year ending 31 January 2015. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The functional currency of these financial statements is sterling. The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Investments

Investments consist of 8.35% debenture stock 2018 and are recorded at cost, plus or minus accrued premium or discount on acquisition which is amortised to generate a constant yield to maturity.

The directors annually review the key assumptions regarding the value of the unlisted debt securities and evaluate the recoverability of the investment.

Debt securities issued

Listed debt securities consist of 8.35% guaranteed secured bonds 2018 and are recorded at cost, plus or minus accrued premium or discount on issue which is amortised to generate a constant yield to maturity.

Notes (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, [associates, branch, joint ventures] to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise deposits in the Company's bank accounts. These deposits are available on demand.

Accounting judgements and estimates

In preparing its financial statements in conformity with FRS 102, the Company makes estimates concerning a variety of matters. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Going Concern

The financial statements have been prepared on a going concern basis which assumes the Company will continue in operational existence for the foreseeable future. The directors have reviewed the future forecasts and have confirmed that adequate financing is available to enable the company to meet its liabilities as they fall due.

Notes (continued)

2 Profit on ordinary activities before taxation

	2016 £	2015 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit of these financial statements	12,000	12,000
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	2,340	2,340
	<u>12,000</u>	<u>12,000</u>

3 Remuneration of directors

None of the other directors received remuneration for their services except for Wilmington Trust SP Services (London) Limited which received a fee for its services as described in note 20.

4 Staff numbers and costs

The company had no employees during the year (2015: no employees).

5 Income from fixed asset investments

	2016 £	2015 £
Income from fixed asset investments:		
Unlisted debt securities	8,756,481	8,756,481
Amortised discount	1,222,220	1,110,566
	<u>9,978,701</u>	<u>9,867,047</u>

6 Interest payable and similar charges on bonds in issue

	2016 £	2015 £
Interest paid on debt securities in issue	8,730,342	8,730,343
Amortised discount	810,254	740,355
	<u>9,540,596</u>	<u>9,470,698</u>

Notes (continued)

7 Other interest receivable and similar income

	2016	2015
	£	£
Bank interest received	376	367

8 Taxation

	2016	2015
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	153	845
Prior year adjustment	-	-
Total current tax	153	845
Deferred tax (<i>see note 14</i>)	-	-
Tax on profit on ordinary activities	153	845

Factors affecting the tax charge for the year

The current tax charge for the year is (2015: lower than) the standard rate of corporation tax in the UK (20%, 2015: 21%). The differences are explained below:

Notes (continued)

8 Taxation (continued)

	2016 £	2015 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	766	8,998
	<hr/>	<hr/>
Current tax charge at 20% (2015: 21%)	153	1,800
	<hr/>	<hr/>
Effects of:		
Trade losses carried forward	-	-
Utilised trade losses	-	(955)
	<hr/>	<hr/>
	153	845
	<hr/>	<hr/>

At 31 January 2016 the company has an unrecognised deferred tax asset of £nil (2015: £nil) related to trading losses carried forward of £nil (2015: £nil).

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 31 January 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability at 31 January 2016 accordingly. As at 31 January 2016, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 102 Section 21.

9 Fixed asset investments

	Cost £	Amortised discount £	Total £
At beginning of year	88,790,558	10,462,560	99,253,118
Amortised discount in year	-	1,222,220	1,222,220
	<hr/>	<hr/>	<hr/>
At end of year	88,790,558	11,684,780	100,475,338
	<hr/>	<hr/>	<hr/>

The fixed asset investment comprises unlisted debt securities. The debenture stock purchased has been pledged to Royal Exchange Trust Company Limited as security for debt securities issued.

The Directors have considered the above investment and are satisfied that it is fully recoverable.

Notes (continued)

10 Debtors: due within one year

	2016 £	2015 £
Prepayments and accrued income	2,417,591	2,377,132
	<u>2,417,591</u>	<u>2,377,132</u>

11 Debtors: due after more than one year

	2016 £	2015 £
Prepayments and accrued income	945,056	1,384,686
	<u>945,056</u>	<u>1,384,686</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Accruals and deferred income	1,876,363	1,876,363
Tax payable	998	845
	<u>1,877,361</u>	<u>1,877,208</u>

13 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Debt securities in issue at cost	93,811,974	93,811,974
Amortised discount	8,050,676	7,240,422
	<u>101,862,650</u>	<u>101,052,396</u>

The £104,555,000 8.35% debenture stock was issued on 12 July 1994 and is to be redeemed on 15 November 2018, interest is paid bi-annually.

Notes (continued)

14 Provisions for liabilities and charges

	Deferred Taxation £
At beginning of year	15,899
Movement in the year	-
	<hr/>
At end of year	15,899
	<hr/>

The liability relates to taxation on the amortised discounts that will crystallize when the bonds mature in November 2018.

The elements of deferred taxation are as follows:

	2016 £	2015 £
Other timing differences	15,899	15,899
	<hr/>	<hr/>

Factors that may affect the future tax charges

Changes in the UK corporation tax rates and legislation between the date of the financial statements and the date the bond mature in November 2018 may impact on the deferred tax liability.

15 Called up share capital

	2016 £	2015 £
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and paid</i>		
Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>

16 Analysis of cash flows

	2016 £	2015 £
Return on investments and servicing of finance		
Bank interest received	376	367
	<hr/>	<hr/>

Notes (continued)

17 Analysis of net funds

	At beginning of year £	Cash flow £	At end of the year £
Cash and cash equivalents	164,184	(12,028)	152,156
Total	<u>164,184</u>	<u>(12,028)</u>	<u>152,156</u>

18 Reconciliation of movement in the profit and loss account

	2016 £	2015 £
Profit for the financial year	614	8,153
Opening balance of profit and loss account	183,617	175,464
Closing balance of profit and loss account	<u>184,231</u>	<u>183,617</u>

19 Reconciliation of movements in shareholders' funds

	2016 £	2015 £
Profit for the financial year	614	8,153
Opening balance of shareholders' funds	233,617	225,464
Closing balance of shareholders' funds	<u>234,231</u>	<u>233,617</u>

Notes (continued)

20 Related party disclosures

The ultimate controlling party is Royal Exchange Trust Company Limited, as trustee. During the year the Royal Exchange Trust Company Limited provided services acting as trustees for £5,520 (2015: £5,520)

The Company is an investment company managed by Wilmington Trust SP Services (London) Limited, a member of its Board of Directors. No director received any remuneration other than Wilmington Trust SP Services (London) Limited which receives a fee for the provision of corporate services under the terms of a corporate services agreement. Under the terms of the agreement, Wilmington Trust SP Services (London) Limited is entitled to receive annual fees of £11,270 (2015: £11,266).

21 Ultimate parent company

Of the 50,000 ordinary shares issued in GESB PLC, 49,999 are held by Royal Exchange Trust Company Limited, and 1 share is held by the Royal Exchange Trustee Nominees Limited, incorporated in England and Wales, as trustee under the terms of a trust declared ultimately for charitable purposes. The ultimate parent undertaking of Royal Exchange Trust Company Limited and Royal Exchange Trustee Nominees Limited is Capital plc.