# Kestrel Acquisitions Limited

## Annual reports and financial statements
## For the year ended 31 March 2016
## Registered number 5055827

## Contents

# Strategic Report

**Principal activities and business review**

The Company acts as an investment holdings company.

**Transition to Financial Reporting Standard 102**

In accordance with applicable United Kingdom accounting standards, this is the first year in which the financial statements have been prepared under Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('FRS 102'). The financial position and performance for the prior period ended 31 March 2015 was restated in accordance with FRS102. Note 16 to the financial statements sets out an explanation of how the transition has affected the financial position and financial performance of the Company.

***Borrowings***

The Company has loan notes of £562m at 31 March 2016 (2015: £580m) due to Alchemy Partners Nominees Limited ('Alchemy'), Alchemy Partners L.P. Inc ('Alchemy L.P.') and its parent. During the year the Company has continued to progressively redeem this debt with total repayments of £86.7m. Further, in June 2015 certain loan notes investors waived £35.9m of accrued and unpaid interest, which has been treated as a capital contribution.

**Principal risks and uncertainties**

The Company has identified the key risks that could impede or frustrate the delivery of its strategic objectives. These risks are set out below.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet current and future financial commitments as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and reasonable stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk is managed by operating a dual strategy approach, which seeks to identify and minimise the likelihood of unforeseen demands for settlement of liabilities, whilst identifying and maintaining immediate or near term sources of additional cash should they prove necessary.

Cash flow risk
Cash flow risk is the risk that the Company's available cash will not be sufficient to meet its financial obligations. The Company is principally funded by interest bearing loan notes from Alchemy and Alchemy L.P. maturing in March 2021. Although it carries out no trading activities on its own behalf, cash flow risk is mitigated by the Group's underlying trading performance and continuing support received from the ultimate controlling party, Alchemy and Alchemy L.P..

The Company's cash flows are intrinsically linked to the cash flows of Kestrel Holdings Limited and its subsidiary undertakings ('the Group'). The Group's performance remains sensitive to the economic environment, which can be impacted by future house price movement and the level of arrears on customer accounts, which in turn influence the level of impairment. The Directors have reviewed the Group's current financial position and have prepared detailed financial projections for the period to March 2021. In preparing these projections the Group places reliance upon continuing support provided by the principal investors in the Group, namely Alchemy and Alchemy Partners L.P. These projections, even after accommodating a downside scenario, indicate the adequacy of the Group's cash resources.

The Company is exposed to the risk of deterioration in the cash flows and business performance in its subsidiary undertakings which may have an adverse effect on the carrying value of the Company's investments.

## Strategic Report *(continued)*

Legal and regulatory risk

Legal and regulatory risk is the risk of loss arising from a breach of existing law and regulation or legal or regulatory changes in the markets in which the Group operates.

The Company operates in a legal environment that exposes it to potentially significant litigation and other legal risks. As a result, the Company may be involved in various disputes and legal proceedings. Any disputes and legal proceedings are subject to many uncertainties and their outcomes are often difficult to predict.

**Going concern**

The Company has net liabilities of £491.3m as at 31 March 2016, mainly arising due to the accumulated interest on the loan notes. The Group has successfully defended an action brought about by a former minority investor, however on 31 March 2015 the High Court of Justice Chancery Division found the Company to be balance sheet insolvent under section 123(2) of the Insolvency Act 1986. The same judgment confirmed that the Company was cash flow solvent under section 123(1)(e) of the Insolvency Act 1986. Management is in discussions with the principal investors regarding the capital structure of the Company and places reliance upon the continuing support provided by these investors.

The Company's cash flows are intrinsically linked to the cash flows of the Group. The Group's performance remains sensitive to the economic environment, which can be impacted by future house price movement and the level of arrears on customer accounts, which in turn influence the level of impairment. The Directors have reviewed the Group's current financial position and have prepared detailed financial projections for the period to March 2021. In preparing these projections the Group places reliance upon the continuing support provided by the principal investors in the Group. These projections, even after accommodating a downside scenario, indicate the adequacy of the Group's cash resources.

On behalf of the Board

*A Punch*
*Director*
8 June 2016

Arcadia House, Warley Hill Business Park, The Drive,
Great Warley, Brentwood, Essex CM13 3BE

# Directors' Report

The Directors present their annual reports and the financial statements of Kestrel Acquisitions Limited ('the Company') for the year ended 31 March 2016.

**Directors and Directors' interests**

The Directors who held office during the year were as follows:

A Brooks

A Punch

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

**Political contributions**

The Company made no political contributions during the year (2015: £nil).

**Disclosure of information to the auditor**

The Directors who held office at the date of approval of this Directors' 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 ought to have been taken as a Director to make themselves aware of any relevant audit information to establish that the Company's auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Other information**

Information on the Company's principal activities and business review, and principal risks and uncertainties has been included in the Strategic Report on pages 1-2.

On behalf of the Board

*A Punch*
*Director*
8 June 2016

Arcadia House, Warley Hill Business Park, The Drive,
Great Warley, Brentwood, Essex CM13 3BE

## Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the Company financial statements in accordance with Financial Reporting Standard 102 *The Financial Reporting* Standard applicable in the UK and Republic of Ireland ('FRS102') as issued in March 2013.

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 their profit or loss for that period. In preparing each of the Company financial statements, the Directors are required to:

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

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

# Independent auditor's report to the members of Kestrel Acquisitions Limited

We have audited the financial statements of Kestrel Acquisitions Limited for the year ended 31 March 2016 set out on pages 7 to 20. The financial reporting framework that has been applied in the preparation of the company financial statements 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 March 2016 and of the Company's loss for the year then ended;
- the Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# Independent auditor's report to the members of Kestrel Acquisitions Limited
*(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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**Andrew Walker (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
***Chartered Accountants***

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

**8 June 2016**

# Profit and loss account
*for the year ended 31 March 2016*

| | *Note* | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Total administrative expenses and operating loss** | | **(12,820)** | (302) |
| Other interest receivable and similar income | 3 | **7,987** | 20,577 |
| Interest payable and similar charges | 4 | **(104,764)** | (107,012) |
| **Loss on ordinary activities before taxation** | 2 | **(109,597)** | (86,737) |
| Tax on loss from ordinary activities | 5 | **590** | 6,211 |
| **Loss for the year** | | **(109,007)** | (80,526) |

All amounts relate to continuing operations

The Company had no recognised gains or losses in the financial year other than those dealt with in the profit and loss account. Accordingly, no statement of other comprehensive income has been prepared.

The notes on pages 10 - 20 form part of these financial statements.

## Balance sheet
*At 31 March 2016*

| | *Note* | 2016 £000 | 2016 £000 | 2015 £000 | 2015 £000 |
|---|---|---|---|---|---|
| **Fixed Assets** | | | | | |
| Investments | *6* | | **115,053** | | 115,053 |
| | | | **115,053** | | 115,053 |
| **Current assets** | | | | | |
| Debtors (including £nil (2015: £74,683,000) due after more than one year | *7* | **305** | | 74,719 | |
| Cash at bank and in hand | | **1** | | 14,631 | |
| | | **306** | | 89,350 | |
| **Creditors: Amounts falling due within one year** | *8* | **(44,673)** | | (42,774) | |
| **Net current (liabilities) / assets** | | | **(44,367)** | | 46,576 |
| **Total assets less current liabilities** | | | **70,686** | | 161,629 |
| **Creditors:** Amounts falling due after more than one year | *9* | | **(562,006)** | | (579,865) |
| **Net liabilities** | | | **(491,320)** | | (418,236) |
| **Capital and reserves** | | | | | |
| Called up share capital | *11* | | **10** | | 10 |
| Share premium account | *12* | | **940** | | 940 |
| Profit and loss account | *12* | | **(492,270)** | | (419,186) |
| **Shareholders' deficit** | | | **(491,320)** | | (418,236) |

These financial statements were approved by the Board of Directors on 8 June 2016 and were signed on its behalf by:

*A Punch*
*Director*

*A Brooks*
*Director*

The notes on pages 10 - 20 form part of these financial statements.

## Statement of changes in equity
*for the year ended 31 March 2016*

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total £000 |
|---|---|---|---|---|
| **At 1 April 2014** | 10 | 940 | (338,660) | **(337,710)** |
| Loss for the year | - | - | (80,526) | **(80,526)** |
| **At 31 March 2015** | 10 | 940 | (419,186) | **(418,236)** |
| Capital contribution | - | - | 35,923 | **35,923** |
| Loss for the year | - | - | (109,007) | **(109,007)** |
| **At 31 March 2016** | 10 | 940 | (492,270) | **(491,320)** |

In June 2015 certain loan notes investors waived £35.9m of accrued and unpaid interest, which has been treated as a capital contribution.

The notes on pages 10 - 20 form part of these financial statements.

# Notes *(forming part of the financial statements)*

## 1 Accounting policies

*Company Information*

The Company is limited by shares and incorporated and domiciled in the United Kingdom. The address of its registered office is Arcadia House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE.

*Basis of preparation*

The Company financial statements have been prepared in accordance with applicable United Kingdom accounting standards including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('FRS 102').

This is the first year in which the financial statements have been prepared under FRS 102. Note 16 to the financial statements sets out an explanation of how the transition has affected the financial position and financial performance of the Company.

The Company is included in the consolidated annual financial statements of Kestrel Holdings Limited and is considered to be a qualifying entity under FRS102 paragraphs 1.8 to 1.12. The following exemption under FRS102 in respect of certain disclosures by the Company has been applied:

- No separate Cash Flow Statement with related notes is shown as it is included in the consolidated financial statements of the ultimate parent company, Kestrel Holdings Limited;

The accounting policies set out below have, unless stated, been applied consistently to all periods presented in these annual accounts.

The presentation currency of these financial statements is sterling (£); all amounts have been presented to the nearest £1,000 unless otherwise stated.

The Company is exempt by section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

*Going concern*

The Company has net liabilities of £491.3m as at 31 March 2016, mainly arising due to the accumulated interest on the loan notes. The Group has successfully defended an action brought about by a former minority investor, however on 31 March 2015 the High Court of Justice Chancery Division found the Company to be balance sheet insolvent under section 123(2) of the Insolvency Act 1986. The same judgment confirmed that the Company was cash flow solvent under section 123(1)(e) of the Insolvency Act 1986. Management is in discussions with the principal investors regarding the capital structure of the Company and places reliance upon the continuing support provided by these investors.

The Company's cash flows are intrinsically linked to the cash flows of its subsidiaries and its parent company Kestrel Holdings Limited ('the Group'). The Group's performance remains sensitive to the economic environment, which can be impacted by future house price movement and the level of arrears on customer accounts, which in turn influence the level of impairment. The Directors have reviewed the Group's current financial position and have prepared detailed financial projections for the period to March 2021. In preparing these projections the Group places reliance upon the continuing support provided by the principal investors in the Group. These projections, even after accommodating a downside scenario, indicate the adequacy of the Group's cash resources.

## Notes *(continued)*

***Fixed assets and depreciation***

Investments held as fixed assets are stated at cost less any provision for impairment in value or amounts written off. Where a loan is made from a parent entity to one of its subsidiaries any difference between the face value of the loan and the present value of the future cash flows is treated as in increase in the parent company's cost of investment in the subsidiary.

***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

***Loan notes***

Loan notes, including those held by the immediate parent, are initially measured at the present value of the future payments including transaction costs, discounted at the market rate of interest. They are subsequently measured at amortised cost using the effective interest method with the unwind of the discount taken to the profit and loss account as interest payable. The Company derecognises a financial liability when its contractual liabilities are discharged, cancelled or expire or when there has been a substantial modification of the terms of the financial liability.

***Intra-group loans***

Long-term loan balances between group undertakings are initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Where a loan is made from a parent entity to one of its subsidiaries any difference between the face value of the loan and the present value of the future cash flows is treated as in increase in the parent company's cost of investment in the subsidiary; in all other cases the difference is taken directly to reserves. Loan balances between group undertakings are subsequently measured at amortised cost using the effective interest method with the unwind of the discount taken to the profit and loss account as interest receivable or interest payable as appropriate.

Short-term loan balances between group undertakings are measured at face value.

The Company derecognises a financial asset or liability when its contractual liabilities are discharged, cancelled or expire or when there has been a substantial modification of the terms of the financial liability.

The Company treats a financial asset as impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

***Taxation***

Tax on the profit or loss for the year may comprise both 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, in which case it is recognised directly in equity.

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 which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expenses are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expenses.

Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax is recognised, without discounting, at tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## Notes *(continued)*

***Significant judgments and estimates***

The preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

*Loan notes*

The rate of interest at inception was considered to be representative of the market rate of interest for a similar debt instrument. The cash flows were based upon the estimated repayment profile of the loan notes. Accordingly these judgments have impacted the carrying value of the loan notes. Additionally, any changes in these estimates of cash flows may result in an adjustment to the carrying value of the loan notes with the corresponding charge or release to interest payable being included in the period in which the estimates are revised.

*Intra-group loans*

The discount applied to the face value of long-term intra-group loans at below market rates of interest is based upon the estimated repayment profile of the loan and apply a rate of interest that is considered to be representative of a market rate of interest. Accordingly these judgments have impacted the carrying value of the loan. Additionally, any changes in these estimates of cash flows may result in an adjustment to the carrying value of the loan asset with the corresponding charge or release to the profit and loss account being included in the period in which the estimates are revised. The Company uses judgment to assess whether, based upon the future estimated cash flows, the amounts due from group companies are recoverable.

### 2 Loss on ordinary activities before taxation

| | **2016** | 2015 |
|---|---|---|
| *Loss on ordinary activities before taxation is stated after charging:* | **£000** | £000 |
| Auditor's remuneration (excluding VAT): | | |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | **13** | 11 |
| Fees payable to the Company's auditor for other services: | | |
| Tax compliance services | **30** | 35 |
| Other tax advisory services | **141** | 7 |
| Operating lease rental – land and buildings | **-** | 29 |
| Impairment of amounts due from group undertakings | **11,714** | - |

The High Court of Justice Chancery Division found the Company's parent, Kestrel Holdings Limited, to be balance sheet insolvent under section 123(2) of the Insolvency Act 1986 on 31 March 2015. Management is in discussions with its parent and the principal investors regarding the capital structure of the Group. In light of these discussion the Directors have reviewed the recoverability of the amounts from its parent and have fully impaired the amounts due.

### 3 Interest receivable and similar income

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Other interest | **6** | 31 |
| On loans to group undertakings | **7,981** | 15,896 |
| Dividend received from subsidiary company | **-** | 4,650 |
| | **7,987** | 20,577 |

# Notes *(continued)*

## 4 Interest payable and similar charges

| | 2016 £000 | 2015 £000 |
|---|---|---|
| On loan notes | **104,764** | 107,012 |

## 5 Tax on loss on ordinary activities

Analysis of tax income in the year recognised in the profit and loss account:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Current tax on loss for the year | **551** | 4,540 |
| Adjustments in respect of prior years | **39** | 1,671 |
| Tax on loss on ordinary activities | **590** | 6,211 |

The tax income for the current year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2016 £000 | 2015 £000 |
|---|---|---|
| Loss on ordinary activities before tax | **(109,597)** | (86,737) |
| Current tax @ 20% (2015: 21%) | **(21,919)** | (18,215) |
| Effects of: | | |
| Non-deductible expenses | **15,650** | 17,946 |
| Income not taxable for tax purposes | **(1,596)** | (4,315) |
| Adjust closing unprovided deferred tax balances to current tax rate | **578** | 284 |
| Adjust opening unprovided deferred tax balances to current tax rate | **-** | (282) |
| Movement in unrecognised deferred tax balances | **(448)** | 42 |
| Overprovided in prior year | **(39)** | (1,671) |
| Total tax income | **(7,775)** | (6,211) |

During the year the UK rate of corporation tax reduced from 21% to 20%. Budget announcements made in 2015 and 2016 set out that there will be a further reduction in the UK rate of corporation tax to 19% from 1 April 2017 and to 17% from 1 April 2020.

## Notes *(continued)*

### 6 Fixed asset investments

| | **Shares in group undertakings £000** |
|---|---|
| At the beginning and the end of the year | **115,053** |

The Company has the following wholly owned subsidiary undertakings which are all incorporated in the United Kingdom.

| **Name of subsidiary undertaking** | **Principal activity** |
|---|---|
| Swift Advances Plc* | Finance Company and loan administrator |
| Swift 1st Limited | Finance Company and loan administrator |
| Kestrel Loans No. 4 Limited | Beneficial owner of mortgage loans |
| Kestrel Loans No.1 Limited* | Finance Company |
| Kestrel Loans No.3 Limited* | Finance Company |
| Swift Securities Limited | Dormant |
| Kestrel Advances Limited | Dormant |
| Swift Homeloans Limited | Dormant |
| Kestrel Loans No.2 Limited | Dormant |
| Kestrel No. 4 Limited* | Dormant |

*held directly by Kestrel Acquisitions Limited

### 7 Debtors

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Amounts owed by group undertakings | **304** | 74,683 |
| Other debtors | - | 36 |
| Prepayments and accrued income | **1** | - |
| | **305** | 74,719 |

Debtors include amount owed by group undertakings of £nil (2015: £74,683,000) due after more than one year.

## Notes *(continued)*

### 8 Creditors: amounts falling due within one year

| | 2016 | 2015 |
|---|---|---|
| | **£000** | £000 |
| Amounts due to group undertakings | **44,626** | 42,721 |
| Accruals and deferred income | **46** | 53 |
| Trade creditors | **1** | - |
| | **44,673** | 42,774 |

The amounts due to the group undertakings are repayable on demand.

### 9 Creditors: amounts falling due after more than one year

| | 2016 | 2015 |
|---|---|---|
| | **£000** | £000 |
| Loan notes due to ultimate controlling company | **522,733** | 543,041 |
| Loan notes due to group undertakings | **20,274** | 18,101 |
| Other loan notes | **18,999** | 18,723 |
| | **562,006** | 579,865 |

**Analysis of debt:**

| | 2016 | 2015 |
|---|---|---|
| | **£000** | £000 |
| Debt can be analysed as falling due: | | |
| Between two and five years | **562,006** | 579,865 |

## Notes *(continued)*

### 9 Creditors: amounts falling due after more than one year (continued)

The loan notes due to the Company's ultimate controlling party comprise £201,031,000 (2015: £179,492,000) Fixed Rate Unsecured Loan Notes 2021 issued on 31 March 2008, £68,505,000 (2015: £77,001,000) Fixed Rate Unsecured Loan Notes 2021 issued on 2 November 2007, and £253,197,000 (2015: £286,548,000) Fixed Rate Unsecured Loan Notes 2021 issued on 25 July 2008.

Of the loan notes due to the Company's ultimate controlling party, £90,937,000 (2015: £90,937,000) of the Fixed Rate Unsecured Loan Notes 2021 issued on 31 March 2008, £18,357,000 (2015: £23,579,000,) of the Fixed Rate Unsecured Loan Notes 2021 issued on 2 November 2007, and £69,231,000 (2015: £88,928,000) of the Fixed Rate Unsecured Loan Notes 2021 issued on 25 July 2008 are listed on the Channel Islands Stock Exchange (which is not within European Union jurisdiction).

The other loan notes constitute £11,387,000 (2015: £10,167,000) Fixed Rate Unsecured Loan Notes 2021 issued on 31 March 2008, £7,612,000 (2015: £8,556,000) Fixed Rate Unsecured Loan Notes 2021 issued on 2 November 2007 and £20,274,000 (2015: £18,101,000) Fixed Rate Unsecured Loan Notes 2021 issued on 12 May 2004.

Of the other loan notes, £5,151,000 (2015: £5,151,000) of the Fixed Rate Unsecured Loan Notes 2021 issued on 31 March 2008, and £2,040,000 (2015: £2,620,000) of the Fixed Rate Unsecured Loan Notes 2021 issued on 2 November 2007 are listed on the Channel Islands Stock Exchange (which is not within European Union jurisdiction).

### 10 Financial Instruments

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| ***Financial assets at amortised cost*** | | |
| Amounts owed by group undertakings | **304** | 74,683 |
| Other debtors | **-** | 36 |
| | **304** | 74,719 |
| ***Financial liabilities at amortised cost*** | | |
| Amounts due to group undertakings | **44,626** | 42,721 |
| Loan notes | **562,006** | 579,865 |
| | **606,632** | 622,586 |

## Notes *(continued)*

### 11 Called up share capital

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| ***Authorised*** | | |
| 1,000,000 Ordinary shares of £0.01 each | **10** | 10 |
| ***Allotted, called up and fully paid*** | | |
| 950,000 Ordinary shares of £0.01 each | **10** | 10 |

### 12 Reserves

*Called up share capital*
Called up share capital represents the nominal value of shares that have been issued.

*Share premium account*
The share premium account comprises any premiums received on the issue of share capital.

*Profit and loss account*
The profit and loss account includes all current and prior period profits and losses.

### 13 Related party disclosures

The Company's ultimate controlling party is deemed to be the Alchemy Investment Plan. The detail of loan notes due at 31 March 2016 are set out in note 9.

The beneficial interests of the current and former directors of the ultimate parent undertaking are set out below:

At 31 March 2016, D Slade had a beneficial interest in £1,398,166 (2015: £87,529) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 31 March 2008), £553,611 (2015: £28,547) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 2 November 2007), £89,625 (2015: £122,125) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 25 July 2008) through the Alchemy Investment Plan Co-investment scheme and Alchemy L.P..

At 31 March 2016, S Bodger had a beneficial interest in £11,244 (2015: £11,244) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 31 March 2008), £2,465 (2015: £3,364) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 2 November 2007), £8,713 (2015: £11,872) of the Fixed Rate Unsecured Loan Notes 2021 (issued on 25 July 2008) through the Alchemy Investment Plan Co-investment scheme.

During the year the Company was recharged £6,000 (2015: £36,500) by Alchemy Partners (Guernsey) Limited relating to expenses incurred in providing services to the Company.

### 14 Ultimate parent company

The Company is a subsidiary undertaking of Kestrel Holdings Limited, incorporated in the United Kingdom. Kestrel Holdings Limited is the parent undertaking of the largest and smallest group of which Kestrel Acquisitions Limited is a member and for which consolidated financial statements are prepared. Copies of the Group financial statements are available from Companies House.

### 15 Ultimate controlling party

73.4% (2015: 73.4%) of the issued share capital of Kestrel Holdings Limited, the ultimate parent undertaking of the Company, is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited and is deemed to be the ultimate controlling party.

## Notes *(continued)*

### 16 Explanation of transition to FRS 102 from previous UK GAAP

As stated in Note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS102 financial statements, the Company has adjusted amounts reported previously in annual accounts prepared in accordance with its former basis of accounting (previous UK GAAP). An explanation of how the transition from previous UK GAAP to FRS102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

**Equity reconciliation**
*At 1 April 2014*

| | Previous UK GAAP £000 | Intra-group balances £000 | Loan notes £'000 | FRS 102 £000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Investments | 91,176 | 23,877 | - | 115,053 |
| | 91,176 | 23,877 | - | 115,053 |
| **Current assets** | | | | |
| Debtors | 147,868 | (23,877) | - | 123,991 |
| Cash at bank and in hand | 38 | - | - | 38 |
| | 147,906 | (23,877) | - | 124,029 |
| **Creditors: Amounts falling due within one year** | (41,863) | - | - | (41,863) |
| **Net current assets** | 106,043 | (23,877) | - | 82,166 |
| **Total assets less current liabilities** | 197,219 | - | - | 197,219 |
| **Creditors: Amounts falling due after more than one year** | (538,982) | - | 4,053 | (534,929) |
| **Net liabilities** | (341,763) | - | 4,053 | (337,710) |
| **Capital and reserves** | | | | |
| Called up share capital | 10 | - | - | 10 |
| Share premium | 940 | - | - | 940 |
| Profit and loss account | (342,713) | - | 4,053 | (338,660) |
| **Shareholders' deficit** | (341,763) | - | 4,053 | (337,710) |

## Notes *(continued)*

### 16 Explanation of transition to FRS 102 from previous UK GAAP (continued)

**Equity reconciliation**
*At 31 March 2015*

| | Previous UK GAAP £000 | Intra-group balances £000 | Loan notes £000 | FRS 102 £000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Investments | 91,176 | 23,877 | - | 115,053 |
| | 91,176 | 23,877 | - | 115,053 |
| **Current assets** | | | | |
| Debtors | 82,700 | (7,981) | - | 74,719 |
| Cash at bank and in hand | 14,631 | - | - | 14,631 |
| | 97,331 | (7,981) | - | 89,350 |
| **Creditors: Amounts falling due within one year** | (42,774) | - | - | (42,774) |
| **Net current assets** | 54,557 | (7,981) | - | 46,576 |
| **Total assets less current liabilities** | 145,733 | 15,896 | - | 161,629 |
| **Creditors: Amounts falling due after more than one year** | (583,727) | - | 3,862 | (579,865) |
| **Net liabilities** | (437,994) | 15,896 | 3,862 | (418,236) |
| **Capital and reserves** | | | | |
| Called up share capital | 10 | - | - | 10 |
| Share premium | 940 | - | - | 940 |
| Profit and loss account | (438,944) | 15,896 | 3,862 | (419,186) |
| **Shareholders' deficit** | (437,994) | 15,896 | 3,862 | (418,236) |

## Notes *(continued)*

### 16 Explanation of transition to FRS 102 from previous UK GAAP (continued)

**Profit and loss reconciliation**
*For the year ended 31 March 2015*

| | Previous UK GAAP £000 | Intra-group balances £000 | Loan notes £000 | FRS 102 £000 |
|---|---|---|---|---|
| **Total administrative expenses and operating loss** | (302) | - | - | (302) |
| Other interest receivable and similar income | 4,681 | 15,896 | - | 20,577 |
| Interest payable and similar charges | (106,821) | - | (191) | (107,012) |
| **Loss on ordinary activities before taxation** | (102,442) | 15,896 | (191) | (86,737) |
| Tax on loss on ordinary activities | 6,211 | - | - | 6,211 |
| **Loss for the year** | (96,231) | 15,896 | (191) | (80,526) |

The adjustments made in respect of the Company's transition to FRS 102 are explained below:

**Intra-group balances**

Long-term balances owed to and from group undertakings carry no interest. Under previous UK GAAP no interest was recognised in the financial statements and the loans were carried at face value.

FRS 102 requires that long-term balances owed to and from group undertakings are recognised on the balance sheet by discounting the expected cash flows at a market rate of interest. Where a parent company lends to a subsidiary a corresponding adjustment is made to its cost of investment in the subsidiary and in all other instances a corresponding adjustment is made directly to reserves. The balance is subsequently carried at amortised cost using the effective interest rate method to unwind the discount through interest payable or receivable as appropriate.

**Loan notes**

Under previous UK GAAP loan notes interest was accrued biannually. Expenditure incurred on arranging long term finance for the Company was capitalised and amortised to the profit and loss account over the initial term of the loan note.

FRS102 requires that loan notes, including those held by the immediate parent, are initially measured at the present value of the future payments including transaction costs, and discounted at the market rate of interest. They are subsequently measured at amortised cost using the effective interest method with the unwind of the discount taken to the profit and loss account as interest payable.