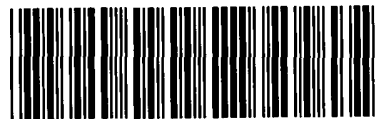


Company Registration No. 05340333 (England and Wales)

**REGENER LCEP HOLDCO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

TUESDAY



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COMPANIES HOUSE

# REGENTER LCEP HOLDCO LIMITED

## COMPANY INFORMATION

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**Directors** C Dix  
E Mountney (Appointed 13 March 2017)

**Secretary** T Hedges

**Company number** 05340333

**Registered office** 8 White Oak Square  
London Road  
Swanley  
BR8 7AG

**Auditor** Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom

**Banker** Royal Bank of Scotland plc  
280 Bishopsgate  
London  
EC2M 4RB

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# REGENER LCEP HOLDCO LIMITED

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# REGENER LCEP HOLDCO LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

The Director's report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

#### Principal activities

The principal activity of the Company is to act as a holding company to Regenter LCEP Limited, a company which currently manages a PFI contract to the London Borough of Newham.

There have not been any significant changes in the Company's principal activities in the year under review.

The principal activity of the Group is the refurbishment, lifecycle maintenance and management of around 1,000 local authority and 200 leasehold homes in Canning Town, London Borough of Newham.

Financial Close was achieved on 3 June 2005. The concession period is 30 years. Refurbishment was completed in 2008. Since this time the project has remained in a steady state.

#### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Corpetti	(Resigned 13 March 2017)
C Dix	
E Mountney	(Appointed 13 March 2017)

#### Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £379,619 (2015: £520,328) The directors do not recommend payment of a final dividend.

#### Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

#### Financial risk management objectives and policies

##### Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the project, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the project.

##### Interest Rate Risk

The Group's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Group uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

##### Credit Risk

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are with a local government authority.

# REGENER LCEP HOLDCO LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Future developments**

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the next year.

### **Auditor**

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



E Mountney

Director

6 April 2017

# **REGENER LCEP HOLDCO LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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The Directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# REGENER LCEP HOLDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF REGENER LCEP HOLDCO LIMITED

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We have audited the financial statements of Regenter LCEP Holdco Limited for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes on pages 12 - 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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**

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 Group's and the parent 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, we read all the financial and non-financial information in the annual 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

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

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

# REGENER LCEP HOLDCO LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF REGENER LCEP HOLDCO LIMITED

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#### **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.
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare the strategic report or in preparing the Directors' report.



6 April 2017

**Jacqueline Holden FCA (Senior Statutory Auditor)**

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

London

United Kingdom

# REGENER LCEP HOLDCO LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	4,701	4,903
Cost of sales		(3,953)	(4,121)
<b>Gross profit</b>		<b>748</b>	<b>782</b>
Interest receivable and similar income	7	1,025	1,055
Interest payable and similar charges	8	(861)	(885)
<b>Profit before taxation</b>		<b>912</b>	<b>952</b>
Taxation	9	(182)	(193)
<b>Profit for the financial year</b>		<b>730</b>	<b>759</b>
<b>Other comprehensive income</b>			
Fair value (loss)/gain arising on cash flow hedges in the year		(1,059)	431
Deferred tax relating to other comprehensive income	9	137	(173)
<b>Total comprehensive (loss)/income for the year</b>		<b>(192)</b>	<b>1,017</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

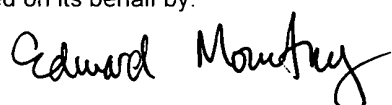
# REGENER LCEP HOLDCO LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000	2015 £'000
<b>Current assets</b>				
Debtors falling due after one year	14	15,891	16,043	
Debtors falling due within one year	14	673	685	
Cash at bank and in hand		2,869	2,482	
		<u>19,433</u>	<u>19,210</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,172)</u>	<u>(4,343)</u>	
<b>Net current assets</b>			15,261	14,867
<b>Creditors: amounts falling due after more than one year</b>	17		(19,008)	(18,043)
<b>Net liabilities</b>			<u>(3,747)</u>	<u>(3,176)</u>
<b>Capital and reserves</b>				
Called up share capital	19		25	25
Hedging reserve	19		(4,462)	(3,541)
Profit and loss reserves	19		690	340
<b>Total deficit</b>			<u>(3,747)</u>	<u>(3,176)</u>

The financial statements were approved by the board of directors and authorised for issue on 6 April 2017 and are signed on its behalf by:



E Mountney  
Director

# REGENER LCEP HOLDCO LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
<b>Fixed assets</b>					
Investments	11		25	4	25
<b>Current assets</b>					
Debtors falling due after one year	14	803		818	
Debtors falling due within one year	14	15		213	
		818		1,031	
<b>Creditors: amounts falling due within one year</b>	15	(15)		(213)	
<b>Net current assets</b>			803		818
<b>Total assets less current liabilities</b>			828		843
<b>Creditors: amounts falling due after more than one year</b>	17		(803)		(818)
<b>Net assets</b>			25		25
<b>Capital and reserves</b>					
Called up share capital	19		25		25
<b>Total equity</b>			25		25

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £379,619 (2015 - £520,328 ).

The financial statements were approved by the board of directors and authorised for issue on 6 April 2017 and are signed on its behalf by:



E Mountney  
Director

Company Registration No. 05340333

# REGENER LCEP HOLDCO LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

		Share capital	Hedging reserve	Profit and loss reserves	Total
	Notes	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2015</b>		25	(3,799)	101	(3,673)
<b>Year ended 31 December 2015:</b>					
Profit for the year		-	-	759	759
<b>Other comprehensive income:</b>					
Fair value loss arising on cash flow hedges in the year		-	431	-	431
Deferred tax relating to other comprehensive income		-	(173)	-	(173)
Total comprehensive income for the year		-	258	759	1,017
Dividends	10	-	-	(520)	(520)
<b>Balance at 31 December 2015</b>		25	(3,541)	340	(3,176)
<b>Year ended 31 December 2016:</b>					
Profit for the year		-	-	730	730
<b>Other comprehensive income:</b>					
Fair value loss arising on cash flow hedges in the year		-	(1,059)	-	(1,059)
Deferred tax relating to other comprehensive income		-	137	-	137
Total comprehensive loss for the year		-	(922)	730	(192)
Dividends	10	-	-	(380)	(380)
<b>Balance at 31 December 2016</b>		25	(4,463)	690	(3,748)

# REGENER LCEP HOLDCO LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
<b>Balance at 1 January 2015</b>		25	-	25
<b>Year ended 31 December 2015:</b>				
Profit and total comprehensive income for the year		-	520	520
Dividends	10	-	(520)	(520)
<b>Balance at 31 December 2015</b>		25	-	25
<b>Year ended 31 December 2016:</b>				
Profit and total comprehensive income for the year		-	380	380
Dividends	10	-	(380)	(380)
<b>Balance at 31 December 2016</b>		25	-	25

# REGENER LCEP HOLDCO LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	2,243	2,181
Income taxes paid		(234)	(135)
<b>Net cash inflow from operating activities</b>		<u>2,009</u>	<u>2,046</u>
<b>Investing activities</b>			
Interest received		<u>2</u>	<u>6</u>
<b>Net cash generated from investing activities</b>		2	6
<b>Financing activities</b>			
Interest paid		(855)	(880)
Repayment of bank loans		(389)	(567)
Dividends paid		<u>(380)</u>	<u>(520)</u>
<b>Net cash used in financing activities</b>		<u>(1,624)</u>	<u>(1,967)</u>
<b>Net increase in cash and cash equivalents</b>		387	85
Cash and cash equivalents at beginning of year		<u>2,482</u>	<u>2,397</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>2,869</u></u>	<u><u>2,482</u></u>

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

#### Company information

Regenter LCEP Holdco Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG.

The Group consists of Regenter LCEP Holdco Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pound sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value, and in accordance with FRS 102. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £379,619 (2015: £520,328).

#### 1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December each year.

#### 1.3 Going concern

The Group is in a net current liability position as at 31 December 2016. The Directors have reviewed the Group's forecasts and projections, taking into account reasonable possible changes in environmental conditions, in addition to asset and counterparty performance which show that the Group can continue to meet its debts as they fall due.

The directors therefore, at the time of approving the financial statements, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

---

### 1 Accounting policies

(Continued)

#### 1.5 Fixed asset investments

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.6 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Loans and receivables**

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

##### **Service Concession**

The Group has been established to provide services under certain private finance agreements with London Borough of Newham (the Council). Under the terms of these Agreements, the Council (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement, and has accounted for the principal assets of, and income streams from, the project in accordance with FRS 102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied at the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there has been a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Council), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Other financial liabilities***

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

#### **1.7 Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

#### **1.8 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Group does not hold or issue derivative financial instruments for speculative purposes.

#### ***Hedge accounting***

The Group designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### ***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

#### **1.9 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

---

### 1 Accounting policies

(Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Hedge accounting**

The Directors consider the Group to have met the criteria for hedge accounting and the Group has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Critical accounting judgements and key sources of estimation uncertainty

(Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £5,377,000 (2015: £4,318,000 liability). The Directors do not consider the impact of own credit risk to be material.

#### Service concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

### 3 Turnover and other revenue

An analysis of the Group's turnover is as follows:

	2016 £'000	2015 £'000
<b>Turnover</b>		
Service fee income	4,255	4,442
Pass through income	446	461
	<u>4,701</u>	<u>4,903</u>
<b>Other significant revenue</b>		
Interest income	<u>1,025</u>	<u>1,055</u>
<b>Turnover analysed by geographical market</b>		
	2016 £'000	2015 £'000
United Kingdom	<u>4,701</u>	<u>4,903</u>

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 4 Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the Group and Company	15	16

### 5 Employees

The Group had no employees during the current or prior year.

### 6 Directors' remuneration

No Directors received any remuneration for services to the Group during the current or prior year.

### 7 Interest receivable and similar income

	2016 £'000	2015 £'000
<b>Interest income</b>		
Interest on bank deposits	2	6
Other interest income	1,023	1,049
Total interest income	1,025	1,055

### 8 Interest payable and similar charges

	2016 £'000	2015 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	743	735
Interest payable to group undertakings	118	150
Total interest expense	861	885

### 9 Taxation

	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	182	193

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £'000	2015 £'000
Profit before taxation	912	952
Expected tax charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	182	193
Tax expense for the year	182	193

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(137)	173

For the year ended 31 December 2016, the UK rate of 20% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

### 10 Dividends

	2016 £'000	2015 £'000
Interim paid	380	520

### 11 Fixed asset investments

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Investments in subsidiaries	12	-	-	25	25

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Regenter LCEP Limited	8 White Oak Square Swanley Kent BR8 7AG	The principal activity of the Company is the refurbishment, lifecycle maintenance and management of around 1,000 local authority and 200 leasehold homes in Canning Town	Ordinary Shares	100.00

### 13 Financial instruments

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	15,430	15,680	818	1,031
Measured at undiscounted amount receivable	101	107	-	-
Equity instruments measured at cost less impairment	-	-	25	25
<b>Carrying amount of financial liabilities</b>				
Measured at fair value and designated in an effective hedging relationship	5,377	4,318	-	-
Measured at amortised cost	13,798	14,187	818	1,031
Measured at undiscounted amount payable	336	558	-	-

#### Derivative Financial Instruments

The swaps have a fixed interest rate of 4.68% and expire in 16 years. The interest rate swaps settle on a semi-annual basis. The floating rate on the interest rate swaps is six months' LIBOR. The Company will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts are designated as hedges of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swaps.

The fair value of the derivative financial instrument above comprise the fair of the interest rate swap designated in an effective hedging relationship. The change in fair value of the interest rate swap that was recognised in other comprehensive income in the period was a loss of £1,059,404 (2015: income of £431,354).

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 14 Debtors

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>					
Trade debtors		101	107	-	-
Amounts due from subsidiary undertakings		-	-	15	213
Financial asset		453	414	-	-
Prepayments and accrued income		119	164	-	-
		<u>673</u>	<u>685</u>	<u>15</u>	<u>213</u>
<b>Amounts falling due after more than one year:</b>					
Amounts due from subsidiary undertakings		-	-	803	818
Financial asset		14,977	15,266	-	-
Deferred tax asset	18	914	777	-	-
		<u>15,891</u>	<u>16,043</u>	<u>803</u>	<u>818</u>
<b>Total debtors</b>		<u>16,564</u>	<u>16,728</u>	<u>818</u>	<u>1,031</u>

Other financial assets include amounts held within deposit accounts with a maturity of not less than 3 months from the initial deposit.

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

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans and overdrafts	16	79	171	-	-
Trade creditors		209	436	-	-
Amounts due to parent undertakings	16	15	213	15	213
Corporation tax payable		54	106	-	-
Other taxation		127	122	-	-
Accruals and deferred income		3,688	3,295	-	-
		<u>4,172</u>	<u>4,343</u>	<u>15</u>	<u>213</u>

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 16 Loans and overdrafts

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans	12,907	13,078	-	-
Loans from parent undertakings	818	1,031	818	1,031
	<u>13,725</u>	<u>14,109</u>	<u>818</u>	<u>1,031</u>
Payable within one year	94	384	15	213
Payable after one year	<u>13,631</u>	<u>13,725</u>	<u>803</u>	<u>818</u>

The loans are secured by a fixed and floating charge over all the assets of the Group and a charge over the shares of the Group.

#### Bank loans

The Company has a £19.6 million facility provided by Dexia in order to finance the refurbishment project. The loan is repayable in instalments based on an agreed percentage amount of the total facility per annum until 2033.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed rate swaps to mitigate its interest exposure. The fixed interest on the facility, after taking into consideration the swap and including all margins, is 5.62% during the operational phase.

#### Subordinated debt

Amounts owed to parent undertaking comprises of loans of £818,483 (2015: £1,031,373). The loans are subject to interest rates at an agreed arms length rate of 12% per annum and are repayable by 2034 in line with agreed repayment schedules.

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

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans and overdrafts	16	12,828	12,907	-	-
Amounts due to parent undertakings	16	803	818	803	818
Derivative financial instruments		5,377	4,318	-	-
		<u>19,008</u>	<u>18,043</u>	<u>803</u>	<u>818</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>13,278</u>	<u>14,153</u>	<u>727</u>	<u>751</u>
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# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>Assets</b>	<b>Assets</b>
	<b>2016</b>	<b>2015</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax on interest rate swap fair value	914	777
	<u>          </u>	<u>          </u>

The Company has no deferred tax assets or liabilities.

	<b>Group</b>	<b>Company</b>
	<b>2016</b>	<b>2016</b>
<b>Movements in the year:</b>	<b>£'000</b>	<b>£'000</b>
Liability/(asset) at 1 January 2016	(777)	-
Charge to other comprehensive income	(180)	-
Effect of change in tax rate - other comprehensive income	43	-
	<u>          </u>	<u>          </u>
Liability/(asset) at 31 December 2016	(914)	-
	<u>          </u>	<u>          </u>

The deferred tax asset in relation to the interest rate swap liability is expected to affect profit or loss over the period to maturity of the interest rate swap.

### 19 Share capital

	<b>Group and company</b>	
	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
25,000 Ordinary shares of £1 each	25	25
	<u>          </u>	<u>          </u>

#### Other Reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

# REGENER LCEP HOLDCO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 20 Controlling party

The Company's immediate parent company is Palio (No 6) Limited, a company incorporated in Great Britain and registered in England and Wales.

The Company's ultimate parent and controlling entity is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey. Copies of the consolidated accounts of John Laing Infrastructure Fund Limited are available from the company's website [www.jlif.com](http://www.jlif.com)

### 21 Related party transactions

No guarantees have been given or received.

As a wholly owned subsidiary of John Laing Infrastructure Fund Limited, the Company has taken advantage of the exemption under FRS102 Section 33 not to provide information on related party transactions with other undertakings in the John Laing Infrastructure Fund Limited group. A copy of the published financial statements of John Laing Infrastructure Fund Limited can be obtained from Companies House.

22 Cash generated from operations	2016 £'000	2015 £'000
Profit for the year	730	759
Adjustments for:		
Income tax expense recognised in profit or loss	182	193
Finance costs recognised in profit or loss	861	885
Investment income recognised in profit or loss	(2)	(6)
Movements in working capital:		
Decrease in debtors	302	292
Increase in creditors	170	58
<b>Cash generated from operations</b>	<b>2,243</b>	<b>2,181</b>