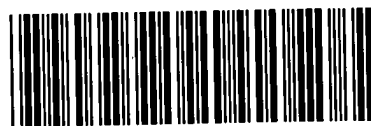


Company Registration No. 05340333 (England and Wales)

REGENER LCEP HOLDCO LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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REGENER LCEP HOLDCO LIMITED

COMPANY INFORMATION

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 Statutory Auditor 2 New Street Square London United Kingdom
Banker	Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB

REGENER LCEP HOLDCO LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Directors' responsibilities statement	3
Independent auditor's report	4 - 6
Group statement of comprehensive income	7
Group balance sheet	8
Company balance sheet	9
Group statement of changes in equity	10
Company statement of changes in equity	11
Group statement of cash flows	12
Notes to the financial statements	13 - 26

REGENER LCEP HOLDCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report and audited financial statements for the year ended 31 December 2017.

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)

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies in the notes to the financial statements.

Results and dividends

The results for the year are set out on page 7.

Ordinary dividends were paid amounting to £250,000 (2016: £380,000). 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.

REGENER LCEP HOLDCO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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.

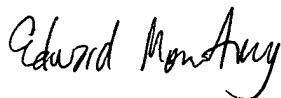
Statement of disclosure to auditor

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

23 May 2018

REGENER LCEP HOLDCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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; 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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Regenter LCEP Holdco Limited (the 'Company') and its subsidiaries (the 'Group') 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 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

REGENER LCEP HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF REGENER LCEP HOLDCO LIMITED

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

REGENER LCEP HOLDCO LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF REGENER LCEP HOLDCO LIMITED

Report on other legal regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.



Mark Beddy FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London

23 May 2018

REGENER LCEP HOLDCO LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Turnover	3	5,525	4,701
Cost of sales		(4,666)	(3,953)
Gross profit		859	748
Interest receivable and similar income	7	1,007	1,025
Interest payable and similar charges	8	(841)	(861)
Profit before taxation		1,025	912
Tax on profit	9	(197)	(182)
Profit for the financial year		828	730
Other comprehensive income			
Fair value gain/(loss) arising on the cash flow hedge in the year	17	352	(1,059)
Deferred tax relating to other comprehensive income	18	(60)	137
Total comprehensive income/(loss) for the year		1,120	(192)

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

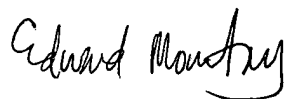
REGENER LCEP HOLDCO LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
Current assets					
Debtors falling due after more than one year	14	15,347		15,891	
Debtors falling due within one year	14	922		673	
Cash at bank and in hand		3,620		2,869	
		<u>19,889</u>		<u>19,433</u>	
Creditors: amounts falling due within one year	15	<u>(4,148)</u>		<u>(4,172)</u>	
Total assets less current liabilities			15,741		15,261
Creditors: amounts falling due after more than one year	17		(18,619)		(19,008)
Net liabilities			<u>(2,878)</u>		<u>(3,747)</u>
Capital and reserves					
Called up share capital	19		25		25
Hedging reserve			(4,171)		(4,462)
Profit and loss reserves			1,268		690
Total deficit			<u>(2,878)</u>		<u>(3,747)</u>

The financial statements were approved by the board of directors and authorised for issue on 23 May 2018 and are signed on its behalf by:



E Mountney
Director

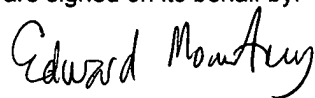
REGENER LCEP HOLDCO LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000	2016 £'000
Fixed assets				
Investments	11		25	25
Current assets				
Debtors falling due after more than one year	14	786	803	
Debtors falling due within one year	14	74	15	
		<u>860</u>	<u>818</u>	
Creditors: amounts falling due within one year	15	(74)	(15)	
Net current assets			<u>786</u>	<u>803</u>
Total assets less current liabilities			<u>811</u>	<u>828</u>
Creditors: amounts falling due after more than one year	17		(786)	(803)
Net assets			<u>25</u>	<u>25</u>
Capital and reserves				
Called up share capital	19		25	25
Total equity			<u>25</u>	<u>25</u>

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 £250,000 (2016: £380,000).

The financial statements were approved by the board of directors and authorised for issue on 23 May 2018 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 2017

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		25	(3,541)	340	(3,176)
Year ended 31 December 2016:					
Profit for the year		-	-	730	730
Other comprehensive income:					
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)
Balance at 31 December 2016		25	(4,463)	690	(3,748)
Year ended 31 December 2017:					
Profit for the year		-	-	828	828
Other comprehensive income:					
Fair value gain arising on cash flow hedges in the year		-	352	-	352
Deferred tax relating to other comprehensive income		-	(60)	-	(60)
Total comprehensive income for the year		-	292	828	1,120
Dividends	10	-	-	(250)	(250)
Balance at 31 December 2017		25	(4,171)	1,268	(2,878)

REGENER LCEP HOLDCO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY **FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2016		25	-	25
Year ended 31 December 2016:				
Profit and total comprehensive income for the year		-	380	380
Dividends	10	-	(380)	(380)
Balance at 31 December 2016		25	-	25
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	250	250
Dividends	10	-	(250)	(250)
Balance at 31 December 2017		25	-	25

REGENER LCEP HOLDCO LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	22		2,013		2,243
Income taxes paid			(145)		(234)
Net cash inflow from operating activities			1,868		2,009
Investing activities					
Interest received		2		2	
Net cash generated from investing activities			2		2
Financing activities					
Interest paid		(776)		(855)	
Repayment of bank loans		(93)		(389)	
Dividends paid to equity shareholders		(250)		(380)	
Net cash used in financing activities			(1,119)		(1,624)
Net increase in cash and cash equivalents			751		387
Cash and cash equivalents at beginning of year			2,869		2,482
Cash and cash equivalents at end of year			3,620		2,869

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 pounds 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.

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.

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 £250,000 (2016: £380,000)

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 Company exists to hold investments in its subsidiary that provides services under certain private finance agreements. The subsidiary is set up as a Special Purpose Company under non-recourse arrangements and therefore the Company has limited its exposure to the liabilities. In the event of default of the subsidiary, the exposure is limited to the extent of the investment it has made.

The Group is in a net liabilities position as at 31 December 2017 due to the fair value of the interest rate swaps. The Directors have reviewed the Group's forecasts and projections, taking into account future cash requirements and forecast receipts, 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. Thus they 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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

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 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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.

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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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 payments 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.

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.

Derecognition of financial liabilities

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

1.8 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.

1.9 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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.

1.10 Taxation

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

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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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 £5,028,000 (2016: £5,377,000 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Turnover and other revenue

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

	2017 £'000	2016 £'000
Turnover analysed by class of business		
Service fee income	4,839	4,255
Passthrough income	686	446
	<u>5,525</u>	<u>4,701</u>

	2017 £'000	2016 £'000
Other significant revenue		
Interest income	<u>1,007</u>	<u>1,025</u>

	2017 £'000	2016 £'000
Turnover analysed by geographical market		
United Kingdom	<u>5,525</u>	<u>4,701</u>

4 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	<u>16</u>	<u>15</u>

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

	2017 £'000	2016 £'000
Interest income		
Interest on bank deposits	2	2
Other interest income	1,005	1,023
	<u>1,007</u>	<u>1,025</u>
Total interest income	<u>1,007</u>	<u>1,025</u>

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

8 Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	743	743
Interest payable to group undertakings	98	118
	<u>841</u>	<u>861</u>
Total interest expense	<u>841</u>	<u>861</u>

9 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits for the current period	197	182
	<u>197</u>	<u>182</u>

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:

	2017 £'000	2016 £'000
Profit before taxation	1,025	912
	<u>1,025</u>	<u>912</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	197	182
	<u>197</u>	<u>182</u>
Taxation charge in the financial statements	<u>197</u>	<u>182</u>

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:

	2017 £'000	2016 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	60	(137)
	<u>60</u>	<u>(137)</u>

For the year ended 31 December 2017, the UK rate of 19.25% 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

10 Dividends

	2017 £'000	2016 £'000
Interim paid	250	380

11 Fixed asset investments

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Investments in subsidiaries	12	-	-	25	25

12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 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	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 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	14,981	15,430	811	818
Measured at undiscounted amount receivable	94	101	-	-
Equity instruments measured at cost less impairment	-	-	25	25
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	5,028	5,377	-	-
Measured at amortised cost	13,706	13,798	811	818
Measured at undiscounted amount payable	534	336	-	-

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

13 Financial instruments

(Continued)

Derivative Financial Instruments

The swaps have a fixed interest rate of 4.68% and expire in 2033. 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 gain of £352,000 (2016: loss of £1,059,000).

14 Debtors

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Amounts falling due within one year:					
Trade debtors		94	101	-	-
Amounts due from subsidiary undertakings		-	-	74	15
Financial asset		488	453	-	-
Prepayments and accrued income		340	119	-	-
		<u>922</u>	<u>673</u>	<u>74</u>	<u>15</u>
Amounts falling due after more than one year:					
Amounts due from subsidiary undertakings		-	-	786	803
Financial asset		14,493	14,977	-	-
		<u>14,493</u>	<u>14,977</u>	<u>786</u>	<u>803</u>
Deferred tax asset	18	854	914	-	-
		<u>15,347</u>	<u>15,891</u>	<u>786</u>	<u>803</u>
Total debtors		<u>16,269</u>	<u>16,564</u>	<u>860</u>	<u>818</u>

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

15 Creditors: amounts falling due within one year

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Bank loans and overdrafts	16	28	79	-	-
Trade creditors		516	209	-	-
Amounts due to parent undertakings	16	74	15	74	15
Corporation tax payable		106	54	-	-
Other taxation		18	127	-	-
Senior debt accrued interest		1	-	-	-
Accruals and deferred income		3,405	3,688	-	-
		<u>4,148</u>	<u>4,172</u>	<u>74</u>	<u>15</u>

16 Loans and overdrafts

	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Bank loans	12,833	12,907	-	-
Loans due to parent undertakings	811	818	811	818
	<u>13,644</u>	<u>13,725</u>	<u>811</u>	<u>818</u>
Payable within one year	53	94	25	15
Payable after one year	13,591	13,631	786	803
	<u>13,644</u>	<u>13,725</u>	<u>811</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 Group 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 Group has entered into fixed rate swaps to mitigate its interest exposure. The fixed interest on the facility, after taking into account the swap and including all margins, is 5.62% during the operational phase.

Subordinated debt

Amounts owed to parent undertakings comprises of loans of £811,000 (2016: £818,000). Accrued interest of £49,000 (2016: £nil) is outstanding. 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

17 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £'000	2016 £'000	Company 2017 £'000	2016 £'000
Bank loans and overdrafts	16	12,805	12,828	-	-
Amounts due to parent undertakings	16	786	803	786	803
Derivative financial instruments		5,028	5,377	-	-
		<u>18,619</u>	<u>19,008</u>	<u>786</u>	<u>803</u>

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

Payable by instalments	13,834	13,278	710	727
	<u>13,834</u>	<u>13,278</u>	<u>710</u>	<u>727</u>

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:

	Assets 2017 £'000	Assets 2016 £'000
Group		
Deferred tax on interest rate swap fair value	854	914
	<u>854</u>	<u>914</u>

The Company has no deferred tax assets or liabilities.

	Group 2017 £'000	Company 2017 £'000
Movements in the year:		
Liability/(asset) at 1 January 2017	(914)	-
Charge to other comprehensive income	60	-
Liability/(asset) at 31 December 2017	<u>(854)</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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

19 Share capital

	Group 2017 £'000	Group 2016 £'000
Ordinary share capital		
Issued and fully paid		
25,000 Ordinary shares of £1 each	25	25

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.

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 Heritage Hall, Le Marchant Street, St Peter Port, Guernsey. Copies of the consolidated accounts of John Laing Infrastructure Fund Limited are available from the company's website 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.

REGENER LCEP HOLDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

22 Cash generated from group operations

	2017 £'000	2016 £'000
Profit for the year after tax	828	730
Adjustments for:		
Taxation charged	197	182
Finance costs	841	861
Investment income	(2)	(2)
Movements in working capital:		
(Increase)/decrease in debtors	(148)	302
Increase in creditors	297	170
Cash generated from operations	2,013	2,243