Annual Report and Financial Statements

2013

Year to 31 December 2013

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COMPANIES HOUSE

MILTON HOMES LIMITED

Company Registration No. 06037454

MILTON HOMES LIMITED

CONTENTS

MILTON HOMES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	CR Rumsey – Managing Director CB Wagman – Non-executive Chairman DJW Young – Chief Executive DV3 Administration UK 1 Limited DV3 Administration UK 2 Limited DV4 Administration Limited
Secretary	DV3 Administration UK 1 Limited 6th Floor Lansdowne House Berkeley Square London W1J 6ER
Registered office	Bryan Cave LLP 88 Wood Street London EC2V 7AJ
Head office and principal place of business	Newcombe House 45 Notting Hill Gate London W11 3LQ
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Legal advisers	King & Wood Mallesons LLP 10 Queen Street Place London EC4R 1BE
Valuer	Allsop LLP 33 Park Place Leeds LS1 2RY

MILTON HOMES LIMITED

STRATEGIC REPORT

The Directors present the Strategic Report, together with the financial statements and auditors' report of Milton Homes Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013

Principal activities

The principal activity of the Group is to own and manage residential property acquired through home reversion plans Whilst the Group is not currently entering into new business it plans to maintain a significant long-term exposure to the UK residential property market as a provider of both traditional and innovative home reversion plans The Group's subsidiaries, Living Plus Limited, Milton Homes Properties Limited and Retirement Plus Property Plans Limited, are authorised by The Financial Conduct Authority ("FCA") as home reversion plan providers and Retirement Plus Limited is authorised as an arranger and administrator of home reversion plans

Results for the financial year

The financial statements show results for the Group for the year as follows

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Income	**10,770**	3,303
Profit / (loss) before tax	**1,822**	(5,496)
Tax for the year	**-**	-
Profit / (loss) for the year, attributable to equity shareholders	**1,822**	(5,496)

Business review and future developments

The Group has managed its business activities in the face of a fluctuating property market and extremely challenging lending conditions In common with its peer group, the gain on revaluation of the Group's portfolio of reversionary interests in investment property dominates an assessment of current year financial performance in comparison with the prior financial period

The Directors believe that the Group's strong brands, scalable infrastructure and established relationships with key intermediaries position it well to enjoy further significant growth when the company enters into new business

Details of the principal risks and uncertainties facing the Group can be found in the Financial and Risk Review on pages 5 to 9

MILTON HOMES LIMITED

STRATEGIC REPORT

Investment portfolio

When acquiring reversionary interests in investment property and equity release plan financial assets in the past, the Group endeavoured to reduce the property risk to which it is exposed by investing in higher-quality affordable housing stock and by maintaining regional diversification

The Directors believe that this strategy has satisfied the somewhat conflicting objectives of conserving cash whilst maintaining the business presence of the Group

The Group's reversionary interests in investment properties and equity release plan financial assets have been acquired at a significant discount to vacant possession value at the time of acquisition The pre-tax reversionary surplus of the Group's investment property and equity release plan financial assets portfolio (ie the difference between current vacant possession values and investment values determined by Allsop) as a percentage of investment value has remained virtually static at 41% or, in absolute terms, £32,428,730 (2012 £33,912,693) indicative of the level of profits to be expected from future property disposals

The Group seeks to maintain a high-quality and well-diversified portfolio In order to reduce portfolio risk, the Group aims to

- minimise its exposure to adverse regional property price cycles by holding a geographically well-diversified portfolio of reversionary interests in investment property, and
- maintain a demographically well-balanced portfolio of reversionary interests so that there is a constant and smooth pattern of realisations

Substantial interests

The Directors are aware that at the date of this report, the following shareholders held beneficial interests in ordinary shares amounting to 3% or more of the issued ordinary share capital of the company

	No of shares	% of issued share capital
DV3 Limited	26,985,901	87 39%
DV4 Limited	2,968,714	9 61%
Royal Bank of Scotland	926,431	3 00%

MILTON HOMES LIMITED

STRATEGIC REPORT

Financial risk management objectives and policies

As part of the process of effective Corporate Governance, the Group conducts a process for the assessment and mitigation of risks affecting the Group, particularly those which could inhibit achievement of Group strategic objectives In addition, risk management focuses on operational, compliance and financial objectives

The Board sets the overall risk appetite and philosophy of the Group The Board establishes the parameters for risk appetite through setting strategic direction, contributing to and ultimately approving annual business plans for the Group, and regularly reviewing and monitoring performance in relation to risk through half-yearly and ad hoc reports from the monthly Executive Committee meetings Risk appetite is defined in both qualitative and quantitative terms and is an expression of the maximum level of residual risk that the Group is prepared to accept in order to deliver its business objectives and is regularly assessed Monitoring exposure to risk and uncertainty is an integral part of the Group's structured management processes The Group's activities expose it to a number of financial risks including interest rate risk, credit risk, property market risk, longevity risk and liquidity risk Details of how these risks are monitored and mitigated can be found in the Financial and Risk Review

The Group finances its operations and investment activity from the following sources

a) Equity,
b) Shareholder debt,
c) External borrowings, and
d) Net proceeds from the sale of reverted properties

Capitalisation and indebtedness

The following tables show the capitalisation and indebtedness of the Group at each year end

	31 December 2013	31 December 2012
Capitalisation and indebtedness	**£'000**	£'000
Unguaranteed/unsecured	**80**	94
Total current debt	**80**	94
Secured	**63,858**	66,951
Unguaranteed/unsecured	**25,060**	26,049
Total non-current debt	**88,918**	93,000
Share capital and share premium	**30,088**	30,088
Capital reserves	**7,750**	7,750
Other reserves	**(4,782)**	(4,782)
Retained earnings	**(41,944)**	(43,766)
Shareholders' deficit	**(8,888)**	(10,710)

Net indebtedness	31 December 2013 £'000	31 December 2012 £'000
Cash	**707**	652
Total liquidity	**707**	652
Other current financial debt	**(80)**	(94)
Current financial debt	**(80)**	(94)
Net current financial funds	**627**	558
Non-current Partnership loan	**(63,858)**	(66,951)
Other non-current financial debt	**(25,060)**	(26,049)
Non-current financial indebtedness	**(88,918)**	(93,000)
Net financial indebtedness	**(88,291)**	(92,442)

Risk management

In assessing risk the Board utilises a consistent approach drawn from perceived best risk management practice which utilises a generic high-level framework and generic risk factors This approach considers the potential impact of each risk together with the likelihood of the risk materialising at an "inherent" level, i e before considering any mitigating controls The definition of these terms is as follows

- Impact - the extent to which the risk, if it materialised, would adversely affect the Group Factors that help define the impact rating may include financial effect, reputation impact, ability to achieve key objectives, etc
- Likelihood - the probability of a risk materialising over a predefined time period, currently set at one year In some cases, frequency of occurrence may be considered as well

This assessment process results in a list of key business risks which have a high overall risk rating and, therefore, are those which most critically require controls to be implemented to manage or mitigate the underlying risks Reassessment of key business risks is undertaken by executive management on a regular basis The reassessment is not limited to the identified key business risks but takes into consideration both internal and external changes and includes those risks which would impact on the financial reporting process

The Directors believe that this approach is consistent with FCA guidance for integrating and embedding risk and capital management practices and procedures

Risk management (continued)

The following Board and executive sub-committees support the Board in the risk management process

The Executive Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for the running of the Group's businesses The Executive Committee consists of the Managing Director, who is Chairman, the Chief Executive Officer, and such other senior executives as the Managing Director chooses to appoint

The Risk Management Committee is an executive sub-committee set up by the Managing Director to assist him in discharging his responsibilities to the Board for monitoring and managing risk throughout the Group's businesses, ensuring that the Group's risk management framework is adequate in design and operates effectively At present the Risk Management Committee is run as part of the Executive Committee and has not been constituted as a separate committee The Risk Management Committee recommends for approval limits, policies and procedures in respect of the effective management of all material risks, considering risks to the Group under the headings of

a) Strategic objectives - that relate to high-level goals, aligned with and supporting the Group's mission,
b) Operational objectives - that relate to the effectiveness and efficiency of the Group's operations, including performance and profitability goals and safeguarding resources against loss,
c) Compliance objectives – that relate to adherence to the laws and regulations to which the Group is subject, and
d) Financial objectives – that pertain both to the financial status of the Group, together with that of individual operating companies, and financial reporting, including the exposure to fraudulent or erroneous public disclosure of financial information

The principal risks that the Group seeks to manage are as follows

a) Interest rate risk is the risk of adverse changes (effectively increases) in market interest rates and arises primarily from the Group's debt obligations

b) Liquidity risk is the risk that the Group is unable to meet its cash obligations as they fall due

   The Group monitors its liquidity risk by maintaining short-term and long-term cash flow forecasts which identify significant future cash flow requirements, primarily from debt repayment schedules

   The Group seeks to maintain facilities that ensure the Group has sufficient available funds to satisfy daily requirements and planned future acquisitions of reversionary interest in investment property and equity release plan assets

   Partnership Life Assurance Company Limited has provided long-term funding on arms-length commercial terms

Risk management (continued)

c) Credit risk is the risk that the Group will incur losses as a result of the failure of customers and counterparties to meet their obligations and arises from holdings of financial assets

The Group is not subject to material levels of credit risk, as these assets revert fully to the Group on reversion

d) Longevity risk is the risk that the Group, as a provider of equity release products, will incur financial loss because of the later-than-anticipated reversion of properties and equity release plan financial assets on account of experienced life expectancy improvements

The Group seeks to mitigate this risk through the use of conservative mortality assumptions The services of professionally qualified, independent firms of actuaries are regularly utilised to review the mortality assumptions employed by the Group, monitoring them against external data, emerging trends and historic assumptions

The Group regularly reviews the purchase of insurance protection against longevity risk and has insurance cover for excessive longevity risk built into the Living Plus impaired-life product

e) Property market risk is the risk that the investment value of the Group's reversionary interest in investment properties and equity release plan financial assets may experience lower than anticipated or indeed negative growth The investment value of the Group's reversionary interest in investment properties and equity release plan financial assets is determined by changes in investment yields, actuarial assumptions regarding mortality and morbidity rates and by changes in the market value of the underlying properties

The Group seeks to mitigate the level of property risk to which it is exposed by maintaining a portfolio that is well diversified both geographically and in terms of individual property values, and by seeking to avoid holding lower-quality property assets which are generally more adversely impacted by market downturns

The Group's property market risk is further mitigated by the five-year floor in the Retirement Plus Property Plan which protects the Group from negative HPI in the first five years of the plan

f) Regulatory risk is the risk arising from a failure to satisfy the Group's obligations to its regulators, primarily the FCA, or to identify the requirement for and implement revised business processes in response to changes in the regulations to which the Group is subject

The Group utilises the services of a firm of regulatory compliance consultants to both advise on relevant changes in the regulatory environment and to ensure that the Group's operational processes and procedures are fully compliant with FCA rules, regulations and guidance and that they operate effectively

Risk management (continued)

g) Reputation risk is the risk of damage to the Group's trading name, brands and/or corporate identity arising from perceived or actual instances of unethical or disreputable business behaviour

The Directors recognise that the success of the Group is heavily dependent upon demonstrating and maintaining consistently high ethical standards in all business dealings and in delivering a high-quality, hassle-free service to intermediaries and customers The Directors believe that the Group's service ethos helps engender a passion for delivering a high-quality personalised service

h) Operational risk is the risk arising from the Group's people, processes, systems and external events

The Group seeks to manage operational risk through the risk management framework articulated above

Approved by the Board of Directors
and signed by order of the Board

Duncan J W Young

DJW Young
Director
25 April 2014

MILTON HOMES LIMITED

DIRECTOR'S REPORT

Directors

The current Directors are listed on page 2

In terms of section 234 of the Companies Act 2006, the Directors of the Company have been granted Qualifying Third Party Indemnity Provisions by the Company, which remain in force as at the date of approving the Strategic Report and the Directors' Report

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2013 (2012 £nil)

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements

Disabled persons

It is the Group's policy to give full consideration to suitable applications for employment of disabled persons Disabled employees are eligible to participate in all career development opportunities available to staff Opportunities also exist for employees of the Group who become disabled to continue in their employment or to be retrained for other positions in the Group

Employee involvement

The Group is committed to involving all employees in the performance and development of the Group Its approach to employee development offers continual challenges in the job, learning opportunities and personal development

The Group encourages all its employees to participate fully in the business through open dialogue Employees receive news of the Group through frequent email notices, internal notices and Board statements The Group maintains a strong communications network and employees are encouraged, through its open-door policy, to discuss with management matters of interest to the employee and subjects affecting day-to-day operations of the Group

MILTON HOMES LIMITED

DIRECTOR'S REPORT

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union

Under Company Law, the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the Group and of the Company and the financial performance and cash flows of the Group for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance,
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements,
- make judgements and 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 will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, and Article 4 of the IAS regulation

The Directors are also responsible for the system of internal control, safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The Directors confirm that they have complied with these requirements

The Directors and the Group are committed to high ethical standards in all their dealings The subsidiary company, Retirement Plus Limited, as an FCA authorised arranger and administrator of home reversion plans is reliant upon its ability to build a long-term relationship of trust and high-quality service with elderly homeowners

In observing the FCA's high-level principle of Treating Customers Fairly, the Directors believe the delivery of appropriate advice is critical

The Group's home reversion plans also continue to comply with the code of practice of the Equity Release Council (ERC) (formerly Safe Home Income Plans ("SHIP")) Occupants of properties held under the Group's home reversion plans have access to the Group's skilled staff who assist them with any problems associated with the maintenance of their homes

Through its active participation in ERC and other bodies, the Group has assisted with the development of industry best practice in a changing regulatory environment In addition, ERC has its own Reversions Complaints Board which acts independently of the FCA

Although the equity release market is fully regulated by the FCA, homeowners contemplating an equity release plan are advised only to consider plans provided by members of ERC Its members commit to a voluntary code which incorporates minimum product standards and other safeguards for consumers not covered by FCA regulation, including

- a no negative equity guarantee,
- security of tenure for life,
- the ability to move home without financial penalty,
- clear presentation of plans, and
- a requirement that no plan may be taken out without the customer having first received independent legal advice

Going concern statement

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property In addition, the deep discounted bonds are not repayable until December 2020, at which time the group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months from the date the financial statements are approved The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements

Qualifying third party indemnity provisions for the benefit of Directors

Under the Companies (Audit, Investigations and Community Enterprise) Act 2004 (which amends the Companies Act 2006), companies are under an obligation to disclose any indemnities which are in force in favour of their directors The current Articles of Association of the Company contain an indemnity in favour of the Directors of the Company which indemnifies them in respect of any liability incurred by them in defending any proceedings (whether civil or criminal) in which judgment is given in their favour and costs that they might incur in the execution of their duties as Directors Copies of the relevant extract from the Articles of Association are available for inspection at the registered office of the Company during normal business hours

MILTON HOMES LIMITED

DIRECTOR'S REPORT

Auditors

In the case of each of the persons who is a Director at the time when the Strategic Report and the Directors' Report are approved, the following apply

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware, and
- each of the Directors has taken all the steps that a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Group's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed by order of the Board

DJW Young
Director
25 April 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

We have audited the financial statements of Milton Homes Limited for the year ended 31 December 2013 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Changes in Equity, the consolidated and company Balance Sheets, the consolidated and company Cash Flow Statement and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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 Statement of Directors' Responsibilities set out on page 11, 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 Strategic Report and the Directors' 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON HOMES LIMITED

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 April 2014

MILTON HOMES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Income			
Profit on disposal of investment property		**1,187**	435
Gain on cancellation of equity release plans		**269**	178
Gain on revaluation of investment properties		**7,128**	2,456
Loss on revaluation of equity release plan financial assets		**(401)**	(2,360)
Other income	3	**2,587**	2,594
		10,770	3,303
Administrative expenses		**(1,762)**	(1,720)
Operating profit	4	**9,008**	1,583
Finance expense	6	**(7,186)**	(7,079)
Profit / (loss) before tax		**1,822**	(5,496)
Tax for the year	7	**-**	-
Total comprehensive income / (loss) for the financial year, attributable to equity shareholders		**1,822**	(5,496)

All activities arise from continuing activities The Group has no other comprehensive income other than the profits and losses above, for the year ended 31 December 2013 (2012 £nil)

MILTON HOMES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £'000	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
As at 1 January 2012	29,955	133	7,750	(4,782)	(38,270)	(5,214)
Total comprehensive loss for the year	-	-	-	-	(5,496)	(5,496)
As at 31 December 2012	**29,955**	**133**	**7,750**	**(4,782)**	**(43,766)**	**(10,710)**
As at 1 January 2013	29,955	133	7,750	(4,782)	(43,766)	(10,710)
Total comprehensive income for the year	-	-	-	-	1,822	1,822
As at 31 December 2013	**29,955**	**133**	**7,750**	**(4,782)**	**(41,944)**	**(8,888)**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital £'000	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
At 1 January 2012	29,955	133	3,097	55	(38,454)	(5,214)
Total comprehensive loss for the year	-	-	-	-	(10,710)	(10,710)
At 31 December 2012	**29,955**	**133**	**3,097**	**55**	**(49,164)**	**(15,924)**
At 1 January 2013	29,955	133	3,097	55	(49,164)	(15,924)
Total comprehensive income for the year	-	-	-	-	7,036	7,036
At 31 December 2013	**29,955**	**133**	**3,097**	**55**	**(42,128)**	**(8,888)**

MILTON HOMES LIMITED
CONSOLIDATED BALANCE SHEET
as at 31 December 2013

	Notes	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Investment properties	8	**45,855**	48,971
Investment properties – held for sale	8	**6,506**	6,018
Financial assets – equity release plans	9	**26,741**	25,916
Financial assets – equity release plans held for sale	9	**733**	1,214
Plant and equipment	11	**2**	13
		79,837	82,132
Current assets			
Trade and other receivables	12	**47**	83
Cash and cash equivalents		**707**	652
		754	735
Total assets		**80,591**	82,867
LIABILITIES			
Current liabilities			
Trade and other payables	13	**481**	483
Interest-bearing loans and borrowings	14	**80**	94
		561	577
Non-current liabilities			
Interest-bearing loans and borrowings	14	**88,918**	93,000
		88,918	93,000
Total liabilities		**89,479**	93,577
Total net liabilities		**(8,888)**	(10,710)
EQUITY			
Share capital	16	**29,955**	29,955
Share premium reserve	17	**133**	133
Capital reserve	17	**7,750**	7,750
Other reserves	17	**(4,782)**	(4,782)
Accumulated losses	17	**(41,944)**	(43,766)
Total deficit		**(8,888)**	(10,710)

These financial statements were approved by the Board of Directors and authorised for issue on 25 April 2014

Signed on behalf of the Board of Directors

Duncan J W Young

DJW Young
Director

CR Rumsey
Director

MILTON HOMES LIMITED
COMPANY BALANCE SHEET
as at 31 December 2013

	Notes	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Investment in subsidiary undertakings	10	**56,261**	45,183
		56,261	45,183
Current assets			
Trade and other receivables	12	**65**	64
Cash and cash equivalents		**25**	20
		90	84
Total assets		**56,351**	45,267
LIABILITIES			
Current liabilities			
Trade and other payables	13	**5,899**	2,330
Interest-bearing loans and borrowings	14	**34,596**	33,208
		40,495	35,538
Non-current liabilities			
Interest-bearing loans and borrowings	14	**24,744**	25,653
		24,744	25,653
Total liabilities		**65,239**	61,191
Total net liabilities		**(8,888)**	(15,924)
EQUITY			
Share capital	16	**29,955**	29,955
Share premium reserve	17	**133**	133
Capital reserve	17	**3,097**	3,097
Other reserve	17	**55**	55
Accumulated losses	17	**(42,128)**	(49,164)
Total deficit		**(8,888)**	(15,924)

These financial statements were approved by the Board of Directors and authorised for issue on 25 April 2014

Signed on behalf of the Board of Directors

Duncan Tw Young

DJW Young
Director

CR Rumsey
Director

MILTON HOMES LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Operating activities			
Profit / (loss) for the year		1,822	(5,496)
Increase in fair value of investment properties	8	(7,128)	(2,456)
Realised gain on disposal of investment properties		(1,187)	(435)
Decrease in fair value of equity release plan financial assets	9	401	2,360
Realised gains from cancellation of equity release plans		(269)	(178)
Equity Transfer Rate income	3	(2,587)	(2,594)
Finance expense	6	7,186	7,079
Depreciation of plant and equipment	11	11	14
Amortisation of intangible assets		-	2
Early repayment charge		96	-
Net cash outflow before changes in working capital		(1,655)	(1,704)
Decrease in trade and other receivables		36	6
Decrease in trade and other payables		(2)	(78)
Net cash outflow from operating activities		(1,621)	(1,776)
Investing activities			
Proceeds from sale of investment properties		11,108	4,556
Purchase of investment properties		(165)	-
Proceeds from cancellation of equity release assets		2,309	2,249
Purchase of equity release assets		(198)	(391)
Net cash inflow from investing activities		13,054	6,414
Financing activities			
Loan to parent company DV3 Limited		(3,500)	(1,100)
Interest paid		(26)	(32)
Repayment of Partnership loan		(7,662))	(3,134)
Early repayment charge		(96)	
Repayment of deferred purchase consideration		(94)	(67)
Net cash outflow from financing activities		(11,378)	(4,333)
Increase in cash and cash equivalents		55	305
Cash and cash equivalents at the beginning of the year		652	347
Cash and cash equivalents at the end of the year		707	652

MILTON HOMES LIMITED
COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2013

	Notes	Year 31 December 2013 £'000	Year 31 December 2012 £'000
Operating activities			
Profit / (loss) for the year	17	**7,036**	(10,710)
Provision for diminution in value of investment in subsidiary undertakings	10	**(11,078)**	6,772
Finance income		**(403)**	(254)
Finance expense		**4,391**	4,148
Net cash outflow before changes in working capital		**(54)**	(44)
Decrease in trade and other receivables		**3**	-
Increase / (decrease) in trade and other payables		**7**	(20)
Net cash outflow from operating activities		**(44)**	(64)
Financing activities			
Loan to ultimate parent company		**(1,500)**	(1,100)
Payments for subsidiary undertakings		**(11)**	(34)
New debt drawn down from subsidiary undertakings		**1,560**	1,200
Net cash inflow from financing activities		**49**	66
Net increase in cash and cash equivalents		**5**	2
Cash and cash equivalents at beginning of the year		**20**	18
Cash and cash equivalents at end of the year		**25**	20

1. Accounting policies

Milton Homes Limited (the "Company") is a company registered in England and Wales under the Companies Act 2006 The consolidated financial statements of the Company for the year ended 31 December 2013 comprise the Company and its subsidiaries (together the "Group")

The Group and Company's financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (together "IFRS") as adopted by the European Union, and comply with the Companies Act 2006

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements

The financial statements are prepared in Sterling and all values are rounded to the nearest pounds thousands except where otherwise indicated

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial period, except for the following amendments to IFRS effective as of 1 January 2013

- IFRS 13 Fair Value Measurement
- Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

Except for IFRS 13 Fair Value Measurement, the adoption of the above standards or interpretation did not have any impact on the financial statements of the company and group

Standards and interpretations issued but not yet applied

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below

- IFRS 9 Financial Instruments Classification and Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The Group intends to adopt these standards when they become effective and does not anticipate they will have a significant impact in the financial statements

1. Accounting policies (continued)

Basis of consolidation

The financial statements comprise the financial statements of Milton Homes Limited and its subsidiary undertakings

Subsidiaries are consolidated from the date control passes, and continue to be consolidated until the date such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights or by way of contractual agreement The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies All inter-company balances and transactions are eliminated

Going concern

Having made appropriate enquiries and reviewing the Group's forecast cashflows, in particular regarding the ability of the Group to meet its liabilities as and when they fall due, the Directors are satisfied that the Group has adequate resources to continue its operations for the foreseeable future The financing agreement with Partnership Life Assurance Company Limited provides cashflow stability, as interest is rolled up into the loan, and the loan and accrued interest is repayable on the disposal of each residential property In addition, the deep discounted bonds are not repayable until December 2020, at which time the group is expected to have generated further funds from the disposal of reverted investment properties and equity release plan assets Furthermore, the directors have received confirmation from its subsidiary undertakings representing that they will not demand repayment of group borrowings for at least 13 months from the date the financial statements are approved The Directors, therefore, continue to adopt the going concern basis in preparing the financial statements

Investments in subsidiary undertakings

Investments in subsidiaries are at stated at cost less any provision for impairment in value The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

1. Accounting policies (continued)

Investment property

Freehold property that is held for capital appreciation and that is not occupied by the Group is classified as investment property Leasehold property held for capital appreciation and that is not occupied by the Group is treated as a finance lease and included within investment property

Investment property is measured initially at cost, including commissions paid to independent financial advisors and directly attributable property acquisition transaction costs, and is thereafter reported at fair value, which reflects market conditions at the period end date

Gains or losses arising from a change in the fair values of the investment properties are recognised in the statement of comprehensive income in the year in which they arise

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future benefits can be expected The gain or loss arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income

Financial assets – equity release plans

Through the Property Plan agreements of the subsidiary company, Retirement Plus Property Plans Limited, the Group owns rights to increasing beneficial interests in residential properties in the United Kingdom The values of these interests are, subsequent to initial recognition at cost, measured at fair value with changes recognised in the statement of comprehensive income Directly attributable transaction costs are excluded from the initial cost of financial assets which are fair valued through profit or loss

Gains or losses arising from a change in the fair values of the financial assets are recognised in the statement of comprehensive income in the year in which they arise

A financial asset is derecognised on disposal or when the financial asset is permanently withdrawn from use and no future benefits can be expected The gain or loss arising from the retirement or disposal of financial assets is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the statement of comprehensive income

1 Accounting policies (continued)

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any impairment loss Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis

Office and IT equipment - 33%

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstance indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount Useful lives and residual values are renewed annually and where adjustments are required, these are made prospectively

An item of plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from continued use of the asset Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition

Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases Properties leased out to tenants under operating leases are included in investment properties in the consolidated balance sheet and accounted for in accordance with the accounting policy on investment property.

Trade and other receivables

Trade receivables are carried at the lower of their original invoiced value and recoverable amount

Loans and other receivables

Loans and other receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market After initial measurement loans and other receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment

Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost

Gains and losses are recognised in the statement of comprehensive income when the loans and other receivables are derecognised or impaired, as well as through the amortisation process

1. Accounting policies (continued)

Impairment of loans and other receivables

The Group assesses at each balance sheet date whether loans and other receivables are impaired

If there is objective evidence that an impairment loss on loans and other receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition) The carrying amount of the asset is reduced through use of an allowance account The amount of the loss is recognised in the statement of comprehensive income

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits and other short-term highly-liquid investments that are readily convertible to known amounts of cash, and are subjected to insignificant risk of changes in value For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Trade and other payables

Trade and other payables are stated at cost

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax The tax currently payable is based on the taxable profit for the year Taxable profit differs from net profit, as reported in the statement of comprehensive income, 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 balance sheet date

1. Accounting policies (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) 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 balance sheet 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 based on tax rates and laws enacted or substantively enacted at the balance sheet date Deferred tax is charged or credited in the statement of comprehensive income, 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 when there is a legally enforceable right to set off current tax liabilities against current tax assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis

Interest-bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method Gains and losses on the repurchase, settlement or cancellation of liabilities are recognised in the statement of comprehensive income as finance income and finance expense, respectively

Pension costs

Pension costs in respect of contributions to the Self-Invested Personal Pension plan arrangements of certain employees, together with employer contributions to the Group's stakeholder pension arrangements, are charged to the statement of comprehensive income as incurred

1. Accounting policies (continued)

Deferred purchase consideration on acquisition of reversionary interests in investment property

The Group has entered into loan agreements with certain tenants which are repaid by way of monthly instalments over the term of the agreement ("Deferred purchase consideration") The loans are recognised when the Group becomes party to the related contract and are measured initially at fair value less directly attributable transaction costs After initial recognition, deferred purchase consideration is measured at amortised cost using the effective interest method

The loans are repaid in the event of death, vacation from the property or at the Group's request, but generally in response to receipt of a request for repayment from the tenant

Derecognition of financial liabilities

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or otherwise expires

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, so that the difference in the respective carrying amounts, together with any costs or fees incurred, is recognised in the statement of comprehensive income

Revenue recognition

Profits or losses on the sale of reverted properties are recognised on completion of the sale and are included in operating profit Profits or losses on disposal are calculated as net sales proceeds less the carrying value of the Group's beneficial interest in the properties determined with reference to the most recent valuation

Equity Transfer Rate ("ETR") income represents the recognition in the statement of comprehensive income of the increase in the Group's beneficial interest in the properties underlying the equity release plan financial asset portfolio in accordance with the contractual terms of the Retirement Plus Property Plan ETR income is recognised on a monthly basis over the term of the plan until the Group's beneficial interest reaches the maximum set out in each individual Property Plan This increase in value is recognised as part of other income in the statement of comprehensive income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

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

In the process of applying the Group's accounting policies as described in note 1, management have made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements

Fair value of investment properties
The fair value of the Group's investment properties is determined by independent real estate valuation experts Allsops LLP, using recognised valuation techniques See note 8

Fair value of financial assets – equity release plans
The fair value of the Group's equity release plans is determined by independent real estate valuation experts Allsops LLP using recognised valuation techniques See note 9

Deferred tax asset
Significant management judgement is required to determine the amount of deferred tax assets arising from unutilised tax losses that can be recognised Management reassesses unrecognised deferred tax assets at each balance sheet date Based upon the likely timing and level of future taxable profits, management has concluded that no deferred tax asset should be recognised at 31 December 2013 (2012 £nil) The amount of unrecognised deferred tax losses, together with capital allowances not yet claimed and other temporary differences at 31 December 2013 was £9,391,019 (2012 £10,823,368) Management will closely monitor opportunities for the recoverability of these tax losses, reassessing the opportunity to recognise deferred tax assets at subsequent balance sheet dates

3. Other income

	2013	2012
	£'000	£'000
Equity Transfer Rate income	**2,587**	2,594

4. Operating profit

The operating profit is stated after charging

	2013 £'000	2012 £'000
Depreciation of plant and equipment	11	13
Amortisation of intangible assets	-	2
Auditors' remuneration		
- audit fees	5	13

5. Information regarding directors and employees

	2013 £	2012 £
Directors' emoluments		
Directors' remuneration	388,994	382,451
Pension contributions	27,000	33,750
	415,994	416,201
Highest paid Director, excluding pension contributions	208,994	202,451
Pension contributions for highest paid Director	-	6,750

5. Information regarding directors and employees (continued)

	2013	2012
	£	£
Employment costs including Directors' emoluments, are as follows		
Wages and salaries	**686,453**	667,367
Social security costs	**87,369**	83,830
Other pension costs	**41,373**	40,932
	815,195	792,129

At 31 December 2013, the unpaid accrued pension costs amounted to £1,308 (2012 £1,371)

	2013	2012
	No.	No
The average number of persons, including executive Directors, employed by the Group is analysed below		
Sales	**3**	2
Administration	**6**	6
	9	8

6. Finance expense

	2013	2012
	£'000	£'000
Interest payable on Partnership loan	**4,569**	4,583
Interest payable on other loans	**26**	32
Shareholders' loan interest on DDBs	**2,591**	2,464
	7,186	7,079

7. Taxation

Group

	2013 £'000	2012 £'000
Analysis of tax charge for the year		
Deferred tax credit	-	-
Tax charge for the year	-	-

The effective rate of corporation tax for the year varies from the standard rate in the United Kingdom (23 25%) as applied to the Group's pre-tax profit for the reasons analysed below

	2013 £'000	2012 £'000
Reconciliation of total tax charge		
Profit / (loss) on ordinary activities before tax	**1,822**	(5,496)
Profit / (loss) for the year multiplied by the standard rate of corporation tax in the United Kingdom ((23 25%) (2012 24 5%))	**424**	(1,346)
Factors affecting the tax credit for the year:		
Expenses not deductible for tax purposes	**3**	5
Temporary differences deductible when paid	**696**	666
Income not taxable	**(276)**	(107)
Gain on revaluation of assets non-deductible	**(1,657)**	(602)
Other tax adjustments	**(3)**	(7)
Chargeable gains	**484**	126
Taxation losses utilised in year	**(240)**	(239)
Taxation losses carried forward	**569**	1,504
	-	-

The group has a deferred tax liability of £658,628 (2012 £462,000) in respect of temporary differences on its properties and equity release plans This is fully offset by available losses and no deferred tax liability is recognised

The group has an unrecognised deferred tax asset of £8,732,391 (2012 £10,823,368) in respect of tax losses together with capital allowances not yet claimed and other temporary differences calculated using the applicable standard rate of UK corporation tax of 20% (2012 23%)

The UK corporation tax rate reduced to 23% from April 2013 The rate reduced to 21% in April 2014 and will reduce to 20% from April 2015 At the balance sheet date all the current tax rate reductions had been substantively enacted

Deferred tax is calculated at 20% as the temporary differences are expected to unwind after April 2015 The rate changes will impact the amount of future tax payments to be made by the company

8 Investment properties

	No.	2013 £'000	No	2012 £'000
Valuation at beginning of year	528	54,989	564	56,660
Additions	1	165	-	-
Disposals	(64)	(9,921)	(36)	(4,127)
Revaluations	-	7,128	-	2,456
Valuation at end of year	465	52,361	528	54,989

Fair value hierarchy

The valuation of the investment properties is a Level 3 valuation in the fair value hierarchy

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom. The fair values of these interests are based on the equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests

The board of directors is responsible for determining the company's valuation policies and procedures and appoints an external valuer to perform the valuation The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards

The fair value of the properties is determined on a market value basis with an assumption of vacant possession One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold Where the Group has taken vacant possession of property an allowance has been made against the full market value to take account of necessary refurbishment costs Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers

The discount percentage is based upon a number of factors over which judgements are made These judgements include

- Investment term - the length of time until vacant possession becomes due
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property
- Cost saving rate - the potential cost saving of acquiring already existing life tenancy investments

There were no changes in valuation techniques during the year

8. Investment properties (continued)

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession This is based on the age of the tenant occupying the property and published life expectancy tables from the UK Government's Actuarial Department for the period 2010-12 Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members

The speed up rate applied ranges from 10% for younger tenants to 2 5% for older tenants

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property Guidance is taken from the yield rates used by Valuation Tribunals for residential property

The investment rates applied range from 5 75% to 8%

Cost saving rate – In determining the discount percentage, an adjustment is made for each property to take into account the potential cost saving of acquiring already existing life tenancy investments It is estimated that the initial set up cost per property of acquiring life tenancy investments is approximately 5% of the value of the vacant possession equity being acquired

A 1 25% uplift has been applied to account for the potential cost savings of acquiring already existing life tenancy investments

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value

Decreases in estimated investment terms and rates would result in a higher fair value

9. Financial assets – equity release plans

	No.	2013 £'000	No	2012 £'000
Valuation at beginning of year	**340**	**27,130**	358	28,577
Additions	**-**	**198**	3	391
Equity transfer	**-**	**2,587**	-	2,594
Cancellation of plans	**(24)**	**(2,040)**	(21)	(2,072)
Revaluations	**-**	**(401)**	-	(2,360)
Valuation at end of year	**316**	**27,474**	340	27,130

Fair value hierarchy

The valuation of the financial assets is a Level 3 valuation in the fair value hierarchy

Valuation method

The Group owns beneficial interests in residential properties in the United Kingdom The fair values of these interests are based on the estimated equity owned percentage of the properties upon the Group taking vacant possession, the fair value of the properties at the balance sheet date, assuming vacant possession, less a discount to take account of the risk of the realisation of those interests

The board of directors is responsible for determining the Group's valuation policies and procedures and appoints an external valuer to perform the valuation The selection criteria used to select that valuer include their market knowledge & expertise, independence and demonstrable compliance with professional standards

The fair value of the properties is determined on a market value basis with an assumption of vacant possession One third of the properties each year are inspected externally to arrive at this value using a conventional approach of comparable analysis In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group's assets, including those properties which have become vacant and are in the process of being sold Where properties are not inspected by the valuers a composite average of relevant house price indices are applied to the value estimated when previously inspected by the valuers

The discount percentage is based upon a number of factors over which judgements are made These judgements include

- Investment term - the length of time until vacant possession becomes due
- Investment rate - also known as a discount rate and this includes a judgement of current marketability and condition of the property
- Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession

The resultant valuations are capped at the estimated value of the Group's interest in the vacant possession value of the property should it have been obtained at the balance sheet date

There were no changes in valuation techniques during the year

9. Financial assets – equity release plans (continued)

Valuation assumptions

Investment term – the investment term is the period until the Group obtains vacant possession. This is based on the age of the tenant occupying the property and published life expectancy tables from the UK Government's Actuarial Department for the period 2010-12 Where there is joint tenancy, the life expectancy of the tenant with the longest life expectancy has been used

The length of the investment term is modified by applying a "speed up" rate to the life expectancy figures, as this reflects market evidence that the lower the age of the youngest tenant, the more likely it is that the Group will be able to access vacant possession before the end of the tenant's life, through the tenant entering into a care home or living with other family members

The speed up rate applied ranges from 10% for younger tenants to 2 5% for older tenants

Equity interest upon the Group taking vacant possession – the anticipated equity percentage expected to be held by the Group upon taking vacant possession is calculated with reference to the expected investment term, the equity interest owned by the Group at the balance sheet date and the additional slices of equity in each property that will accrue under the terms of the equity release plans

Investment rate – this input reflects the risk and opportunity which includes the growth prospects and marketability prospects of the property Guidance is taken from the yield rates used by Valuation Tribunals for residential property

The investment rates applied range from 5 75% to 8%

Sensitivity analysis to changes in unobservable inputs

Increases in estimated investment terms and rates would result in a lower fair value

Decreases in estimated investment terms and rates would result in a higher fair value.

10. Investment in subsidiary undertakings

	£'000
Cost	
At 1 January 2013 and 31 December 2013	80,227
Provision	
At 1 January 2013	(35,044)
Impairment write back	11,078
At 31 December 2013	(23,966)
Carrying amount	
At 31 December 2013	**56,261**
At 31 December 2012	45,183

11 Plant and equipment

	Office and IT equipment £'000
Cost	
At 1 January 2013 and 31 December 2013	232
Accumulated depreciation	
At 1 January 2013	(219)
Charge for the year	(11)
At 31 December 2013	(230)
Carrying amount	
At 31 December 2013	**2**
At 31 December 2012	13

12. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade receivables	**2**	5	**-**	3
Amounts due from group companies	**-**	-	**65**	61
Prepayments	**30**	65	**-**	-
Other debtors	**15**	13	**-**	-
	47	83	**65**	64

13 Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade payables	**46**	20	**8**	-
Other tax and social security	**35**	27	**-**	-
Amounts due to group companies	**-**	-	**5,629**	2,076
Accrued interest on loans from group companies	**-**	-	**241**	232
Accruals and deferred income	**400**	436	**21**	22
	481	483	**5,899**	2,330

14. Interest-bearing loans and borrowings

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Current				
Group company borrowings	**-**	-	**34,596**	33,208
Deferred purchase consideration	**80**	94	**-**	-
	80	94	**34,596**	33,208

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Non-current				
Partnership loan	**63,858**	66,951	**-**	-
Shareholder loans	**24,744**	25,653	**24,744**	25,653
Deferred purchase consideration	**316**	396	**-**	-
	88,918	93,000	**24,744**	25,653

Partnership loan
Partnership Life Assurance Company Limited has provided a £62,633,796 facility The facility bears interest at 7 15% per annum and is secured on the Borrowers' rights to beneficial interests in residential properties acquired through equity release plans The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of As at 31 December 2013, £63,858,116 was due to Partnership Life Assurance Company Limited (2012 £66,951,392)

Shareholder loans - Deep Discounted Bonds
DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011 The deep discounted bonds have an interest element of 10% accruing to reach the maturity value upon the repayment date of 31 December 2020 Milton Homes Limited provided a loan of £1,800,000 to DV3 Limited (effective from 1 January 2011) The loan accrues interest at a rate of 10% per annum At 31 December 2013, the outstanding loan balance receivable (including accrued interest) totalled £nil (2012 £3,179,381) In accordance with the loan agreement this balance has been offset against the deep discounted bonds issued to DV3 Limited At 31 December 2013 the net outstanding balance on the deep discounted bonds was £24,743,364 (2012 £25,652,818)

Group company borrowings
The Company has various subordinated loan facilities provided by subsidiary companies The loans are unsecured and bear interest at LIBOR plus 1-10% per annum and at fixed rate of 10% per annum At 31 December 2013 the loans outstanding were £34,596,432 (2012 £33,208,254)

14. Interest bearing loans and borrowings (continued)

Undrawn committed borrowings
As at 31 December 2013, the Group had approximately £100m (2012 £150m) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the third year commitment of £50m has now expired

Deferred purchase consideration
Deferred purchase consideration represents annuities payable to tenants where consideration for a property has taken the form, in some part, of a commitment by the Group to pay monthly cash instalments over a set period The last of these instalments is payable in 2025 The effective interest rate is 5 95%

15. Financial instruments

Apart from the property plans, the group's principal financial instruments comprise cash, the Partnership loan, shareholder loans, deferred purchase consideration trade and other receivables, and trade and other payables Cash and cash equivalents are considered to be cash at bank and cash in hand The main purpose of these instruments is to finance the acquisition of investment property and to meet operating, administrative and finance costs It is the Group's policy that no speculative trading in financial instruments shall be undertaken

The main risks arising from the group's financial instruments are liquidity risk, credit risk and capital management There is no currency risk as all financial instruments are held in Sterling The Financial and Risk Review includes an explanation of the Group's objectives and policies with regard to financial instruments and the management of risk

Group

The table below summarises the maturity profile of the group's financial liabilities at 31 December 2012 and 2013 based on contractual undiscounted payments

	Interest rate (%)	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
31 December 2013					
Partnership loan	7 15	-	-	63,858	**63,858**
Shareholder DDBs loans	10	-	-	56,491	**56,491**
Deferred purchase consideration	5 95	98	248	118	**464**

	Interest rate (%)	Within 1 year £'000	1-5 years £'000	More than 5 years £'000	Total £'000
31 December 2012					
Partnership loan	7 15	-	-	66,951	66,951
Shareholder DDB loans	10	-	-	59,130	59,130
Deferred purchase consideration	5 95	116	301	166	583

15. Financial instruments (continued)

In regards to the Partnership loan, the above table shows the outstanding loan balance and accrued interest as at 31 December 2013 In addition, the Partnership loan bears interest at 7 15% per annum The interest is rolled up into the loan, and a proportion of the loan and accumulated interest is repayable on disposal of each property and/or equity release plan asset, with the balance repayable in full on the earlier of 8 November 2065 and the date when the last property or equity release plan asset is disposed of

Liquidity risk
In order to ensure that sufficient funds are available to fund the purchase of Investment Properties and Equity Release Plan assets the Company has access to a funding facility from Partnership Life Assurance Company Limited As at 31 December 2013, the Group had approximately £100m (2012 £150m) of undrawn committed borrowing facilities from Partnership Life Assurance Company Limited for asset purchases, as the third year commitment of £50m has now expired

Credit risk
The Group's exposure to credit risk on cash and cash equivalents and loans, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments

Capital management
Through efficient capital management, the Group aims to maximise corporate value whilst reducing the financial risks to which it is exposed Investment property and equity release plan asset acquisitions are individually reviewed for consistency with the Group's eligible investment property criteria

The Group funds investment activity and operations through proceeds from reverted properties, shareholder equity and debt The mix of financing between equity and bank debt is generally reviewed when debt facilities are renegotiated or when significant investment activity is forecast

Fair values of financial assets and liabilities
The Directors consider that there are no material differences between the carrying values and fair values of the Group's financial assets and liabilities at each period end

16. Share capital

Group and Company	2013 £'000	2012 £'000
<u>Authorised</u>		
100,000,000 (2012 100,000,000) ordinary shares of £1 each	**100,000**	100,000

	2013 £'000	2012 £'000
<u>Allotted, Issued & fully paid</u>		
29,954,615 'A' Shares at £1	**29,955**	29,955
926,431 'B' Shares at £0 0001	-	-
At 31 December	**29,955**	29,955

17. Reserves

Group	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000
At 1 January 2013	133	7,750	(4,782)	(43,766)
Profit for the year	-	-	-	1,822
At 31 December 2013	**133**	**7,750**	**(4,782)**	**(41,944)**

Company	Share premium reserve £'000	Capital reserve £'000	Other reserves £'000	Accumulated losses £'000
At 1 January 2013	133	3,097	55	(49,164)
Profit for the year	-	-	-	7,036
At 31 December 2013	**133**	**3,097**	**55**	**(42,128)**

Reserves are defined as follows

Share premium reserve represents amounts subscribed for issued share capital in excess of nominal value The capital reserve comprises the difference between the fair value and nominal amount of non-interest bearing loans made available by the ultimate parent company

Other reserves is a non-distributable reserve created as part of a group reorganisation

17. Reserves (continued)

The additional £55k relates to the Royal Bank of Scotland Share Warrants for the issuance of 926,431 Ordinary 'B' Shares in Milton Homes Limited in November 2010

Retained earnings are the cumulative net gains and losses recognised in the consolidated statement of comprehensive income

18 Related party transactions

DV3 Limited and DV4 Limited provided to Milton Homes Limited deep discounted bonds of £23,657,608 under a subordinated loan agreement effective from 1 January 2011 The loans have an interest element of 10% accruing to reach the maturity value upon the repayment date of 31 December 2020 At 31 December 2013 the loan was recorded at £24,743,364 (2012 £28,832,199)

Milton Homes Limited provided a loan of £1,800,000 to DV3 Limited The loan accrues interest at a rate of 10% per annum At 31 December 2013, the outstanding loan balance receivable (including accrued interest) totalled £nil (2012 £3,179,381) In accordance with the loan agreement this balance has been offset against the deep discounted bonds issued to DV3 Limited

Transactions with key management personnel (comprising the Directors) are disclosed below

	31 December 2013 £'000	31 December 2012 £ '000
Short-term employee benefits	**416**	416

19. Post balance sheet events

There have been no significant post balance sheet events

20. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is DV3 Limited, a Company registered in the British Virgin Islands