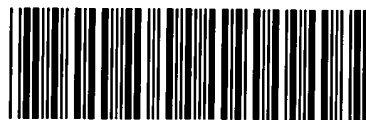


Company Registration No. 07457147 (England and Wales)

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

COMPANY INFORMATION

Directors	G Walker J Heath
Secretary	T Hedges
Company number	07457147
Registered office	8 White Oak Square London Road Swanley BR8 7AG
Auditor	Deloitte LLP Statutory Auditor London United Kingdom EC4A 3BZ
Banker	Norddeutsche Landesbank One Wood Street London EC2V 7WT

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

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JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present the strategic report for the year ended 31 December 2016.

Business Review

The Company principally operates as a holding company and was formed to hold the equity investment in JLW Excellent Homes for Life Limited.

The principal activity of the Group is the build, lifecycle maintenance and management of 140 new build homes for older people within three extra care housing schemes offering care and support, 291 one and two bedroom homes for small households, and 35 homes specifically designed for wheelchair users. The new homes are built on 27 sites across Kirklees.

The project reached financial close on 20 December 2011. The project finished construction completion in June 2014 and now remains in a steady state. The project runs until the end of the concession life in 2034.

During 2016 the Group has successfully refinanced with The Nationwide Building Society exiting the deal and Bank of Tokyo-Mitsubishi UFG entering the deal. This changed the borrowing margin from 2.35% to 1.30% with the facilities now provided equally between Norddeutsche Landesbank Girozentrale and Bank of Tokyo-Mitsubishi UFG. The swap designated against the Nationwide Building Society loan was novated at a swap breakage fee of £2.9m, resulting in a loss in the current year. A new swap was entered into against the additional debt drawn, ensuring the project remained fully hedged.

Kirklees Council's share of the refinancing gain included a £600k upfront expense to the Group and a reduced unitary fee will be charged until the end of the concession.

In light of the recent market issues in relation to cladding used on Housing projects, the Project's specifications have been reviewed and it has been assessed that there is no further work that is required to be undertaken.

Principal Risks and Uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, interest rate risk and credit risk. These risks are further explained in the Directors' Report.

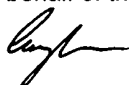
Future Developments

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

Key Performance Indicators

The key performance indicator for the Group is the level of performance and unavailability deductions levied by the client, since this reflects the quality of the service being provided. During the period, the Group suffered nominal deductions.

On behalf of the board



G Walker

Director

26 September 2017

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Principal activities

The principle activity of the Group continued to be the build, lifecycle maintenance and management of the Kirklees Social Housing PFI project.

During the year, the Company refinanced its debt equally between Bank of Tokyo-Mitsubish UFG and the existing lender, Norddeutsch Landesbank Girozentrale. This resulted in a reduced borrowing margin and a refinancing gain, of which the Kirklees Council received a share.

Kirklees Council's share of the refinancing gain included a £600k upfront expense to the Group and a reduced unitary fee will be charged until the end of the concession.

Directors

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

G Walker

J Heath

A S Pearson

(Resigned 18 January 2016)

Results and dividends

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

No ordinary dividends were paid (2015: £1,169,000). 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 PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession.

Interest Rate Risk

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

Credit Risk

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

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Lifecycle Risk

Lifecycle expenditure is the main risk to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Future developments

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 1 and form part of this report by cross-reference.

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



G Walker

Director

26 September 2017

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

We have audited the financial statements of JLW Excellent Homes for Life Holding Company Limited for the year ended 31 December 2016 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes on pages 13 - 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

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

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

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

Matters on which we are required to report by exception

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

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



Jacqueline Holden FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London

United Kingdom

26 September 2017

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	2,086	1,972
Cost of sales		(1,827)	(1,736)
Gross profit		259	236
Interest receivable and similar income	7	4,257	4,561
Interest payable and similar charges	8	(8,213)	(4,402)
(Loss)/profit before taxation		(3,697)	395
Taxation	9	739	(80)
(Loss)/profit for the financial year		(2,958)	315
Other comprehensive income			
Fair value (loss)/gain arising on cash flow hedges in the year		(3,074)	375
Deferred tax relating to other comprehensive income	9	487	(145)
Total comprehensive (loss)/income for the year		(5,545)	545

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

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
Current assets					
Debtors falling due after one year	14	62,959		63,533	
Debtors falling due within one year	14	3,154		2,558	
Cash at bank and in hand		3,988		4,150	
		<u>70,101</u>		<u>70,241</u>	
Creditors: amounts falling due within one year	16	<u>(4,859)</u>		<u>(4,918)</u>	
Net current assets			65,242		65,323
Creditors: amounts falling due after more than one year	17		(73,546)		(68,082)
Net liabilities			<u>(8,304)</u>		<u>(2,759)</u>
Capital and reserves					
Called up share capital	18		50		50
Hedging reserve	18		(5,471)		(2,884)
Profit and loss reserves	18		(2,883)		75
Total deficit			<u>(8,304)</u>		<u>(2,759)</u>

The financial statements were approved by the board of directors and authorised for issue on 26 September 2017 and are signed on its behalf by:



G Walker
Director

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	11	50	50
Current assets			
Debtors falling due after one year	14	6,697	6,818
Debtors falling due within one year	14	322	313
		7,019	7,131
Creditors: amounts falling due within one year	16	(322)	(313)
Net current assets		6,697	6,818
Total assets less current liabilities		6,747	6,868
Creditors: amounts falling due after more than one year	17	(6,697)	(6,818)
Net assets		50	50
Capital and reserves			
Called up share capital	18	50	50
Total equity		50	50

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 £nil (2015 - £1,169,000).

The financial statements were approved by the board of directors and authorised for issue on 26 September 2017 and are signed on its behalf by:



G Walker
Director

Company Registration No. 07457147

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance as at 1 January 2015		50	(3,114)	929	(2,135)
Period ended 31 December 2015:					
Profit for the year		-	-	315	315
Other comprehensive loss:					
Fair value gain arising on cash flow hedges in the year		-	375	-	375
Deferred tax relating to other comprehensive income		-	(145)	-	(145)
Total comprehensive income for the year		-	230	315	545
Dividends	10	-	-	(1,169)	(1,169)
Balance at 31 December 2015		50	(2,884)	75	(2,759)
Period ended 31 December 2016:					
Loss for the year		-	-	(2,958)	(2,958)
Other comprehensive loss:					
Fair value loss arising on cash flow hedges in the year		-	(3,074)	-	(3,074)
Deferred tax relating to other comprehensive income		-	487	-	487
Total comprehensive income for the year		-	(2,587)	(2,958)	(5,545)
Balance at 31 December 2016		50	(5,471)	(2,883)	(8,304)

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015		50	-	50
Period ended 31 December 2015:				
Profit and total comprehensive income for the year		-	1,169	1,169
Dividends	10	-	(1,169)	(1,169)
Balance at 31 December 2015		50	-	50
Period ended 31 December 2016:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 December 2016		50	-	50

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	22	6,370	8,121
Income taxes paid		(183)	(186)
Net cash inflow from operating activities		<u>6,187</u>	<u>7,935</u>
Investing activities			
Interest received		6	11
Net cash generated from investing activities		<u>6</u>	<u>11</u>
Financing activities			
Issue of upstream loan		(893)	-
Repayment of borrowings		(107)	(96)
Interest paid		(7,796)	(4,445)
Proceeds of new bank loans		65,917	-
Repayment of bank loans		(63,476)	(4,510)
Dividends paid		-	(1,169)
Net cash used in financing activities		<u>(6,355)</u>	<u>(10,220)</u>
Net decrease in cash and cash equivalents		<u>(162)</u>	<u>(2,275)</u>
Cash and cash equivalents at beginning of year		4,150	6,425
Cash and cash equivalents at end of year		<u><u>3,988</u></u>	<u><u>4,150</u></u>

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

JLW Excellent Homes for Life Holding Company 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 JLW Excellent Homes for Life Holding Company Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

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 2016 due to the fair value of the interest rate swaps and the refinance costs incurred. 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.

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.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

1.5 Fixed asset investments

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

1.6 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.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

Service Concession

The Group has been established to provide services under certain private finance agreements with Kirklees Council (the Authority). Under the terms of these Agreements, the Authority (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 was 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 Authority) 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.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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 receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Other financial liabilities

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

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

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.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

Accounting treatment of the refinance

On 4th March 2016, the Kirklees Project completed a refinancing on the loan facilities which the Project operates under a single Credit Agreement with the Lenders. The terms of the refinancing involved BTMU purchasing 50% of the debt in the project, which was previously owned 2 thirds by Nord LB and 1 third by Nationwide (via a fixed rate loan), thus Nord reduced its share of the debt from 2 thirds to 1 half. As part of the refinancing, a decision was made that the incumbent swaps against the pre-refinancing Nord LB portion would remain in place, in effect continuing to hedge 2 thirds of the debt following the refinancing, and a new swap, with MUFG, would be entered into for the remaining 1 third of the debt in order to fully hedge the project company against any interest rate exposure. Pre-refinancing the margin on the loan stood at 2.35%. Post-refinancing the margin on the loan stands at 1.30%.

As per FRS 102 section 11.37, various substantive factors, suggested that the change to the terms of the loans constituting the facilities in the Credit Agreement were substantially different requiring the extinguishment of the pre-refinancing loan in the accounts of the Company and recognition of the "new" loan. This resulted in the financing fees associated with the original bank loan to be written off in the current year, and the fees associated with the new debt were capitalised to be amortised over the life of the debt. However it was deemed that, due to the Project Company's intention to maintain the existing hedges against the original Credit Agreement facilities, irrespective of their composition, being the same intention as at Financial Close on 20th December 2011, that the hedging relationship continued to exist following the re-financing and, as a result, the Project should continue to apply the same hedge accounting rules on the swap financial instruments.

As a result of the refinance, the Council has received their entitlement to the refinancing gain through a £600k upfront payment and a £7k reduction in the monthly unitary fee until the end of the concession. This total cost has been apportioned over the remainder of the concession and treated as a reduction to the Finance Debtor income to offset the gain of the refinance as seen in the reduced forecast interest payable over the life of the project.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Critical accounting judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

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

Valuation of derivative financial instruments

The Directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Group uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £6,899,000 (2015: £3,748,000). The Directors do not consider the impact of own credit risk to be material.

Service concession arrangement

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

3 Turnover and other revenue

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

	2016 £'000	2015 £'000
Turnover		
Service fee income	1,981	1,972
Variation income	105	-
	<u>2,086</u>	<u>1,972</u>
Other significant revenue		
Interest income	<u>4,257</u>	<u>4,561</u>
Turnover analysed by geographical market		
	2016 £'000	2015 £'000
United Kingdom	<u>2,086</u>	<u>1,972</u>

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

4 Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and Company	12	12

5 Employees

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

6 Directors' remuneration

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

7 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest income		
Interest on bank deposits	6	11
Other interest income	4,251	4,550
Total interest income	4,257	4,561

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,620	3,452
Interest payable to group undertakings	812	819
Total interest expense	3,432	4,271
Other finance costs:		
Other interest	4,781	131
Total finance costs	8,213	4,402

Other interest includes £2,878,000 swap breakage fees, £1,296,000 financing fees relating to the original bank loan which were written off during the year and other costs incurred as a result of the refinance.

9 Taxation

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profits/(losses) for the current period	(739)	80

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

9 Taxation

(Continued)

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

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

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

	2016 £'000	2015 £'000
(Loss)/profit before taxation	(3,697)	395
Expected tax (credit)/charge based on a corporation tax rate in the UK of 20.00% (2015: 20.25%)	(739)	80
Tax (credit)/expense for the year	(739)	80

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

	2016 £'000	2015 £'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(487)	145

10 Dividends

	2016 £'000	2015 £'000
Interim paid	-	1,169

11 Fixed asset investments

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Investments in subsidiaries	12	-	-	50	50

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Subsidiaries

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

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
JLW Excellent Homes for Life Limited	8 White Oak Square London Road Swanley BR8 7AG	Provision of social housing and facilities for Kirklees Council.	50	100

13 Financial instruments

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	63,795	64,728	6,693	6,926
Measured at undiscounted amount receivable	19	21	-	-
Equity instruments measured at cost less impairment	-	-	50	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at fair value and designated in an effective hedging relationship	6,899	3,748	-	-
Debt instruments measured at amortised cost	70,435	68,015	-	-
Measured at undiscounted amount payable	665	538	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

14 Debtors

	Notes	Group 2016	2015	Company 2016	2015
Amounts falling due within one year:		£'000	£'000	£'000	£'000
Trade debtors		18	21	-	-
Amounts due from subsidiary undertakings		-	-	322	313
Financial asset		1,954	1,828	-	-
Prepayments and accrued income		410	709	-	-
		<u>2,382</u>	<u>2,558</u>	<u>322</u>	<u>313</u>
Deferred tax asset	19	772	-	-	-
		<u>3,154</u>	<u>2,558</u>	<u>322</u>	<u>313</u>
Amounts falling due after more than one year:					
Amount due from parent undertaking		893	-	-	-
Amounts due from subsidiary undertakings		-	-	6,697	6,818
Financial asset		60,946	62,900	-	-
		<u>61,839</u>	<u>62,900</u>	<u>6,697</u>	<u>6,818</u>
Deferred tax asset	19	1,120	633	-	-
		<u>62,959</u>	<u>63,533</u>	<u>6,697</u>	<u>6,818</u>
Total debtors		<u>66,113</u>	<u>66,091</u>	<u>7,019</u>	<u>7,131</u>

Amounts due from parent undertaking comprises of an upstream loan of £893,412 to JLIF Holdings (Regeneration and Social Housing) Limited. The loan is subject to an agreed interest of 4% and are repayable in instalments.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

15 Loans and overdrafts

	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans	62,967	59,883	-	-
Loans from parent undertakings	6,818	6,926	6,697	6,926
	<u>69,785</u>	<u>66,809</u>	<u>6,697</u>	<u>6,926</u>
Payable within one year	3,138	2,475	-	108
Payable after one year	<u>66,647</u>	<u>64,334</u>	<u>6,697</u>	<u>6,818</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

During the year, under the refinance, the Company repaid the outstanding £61m facility provided by Norddeutsche Landesbank Girozentrale and the Nationwide Building Society. Norddeutsche Landesbank Girozentrale and Bank of Tokyo Mitsubishi UFG then provided a new facility to the Company at a reduced margin.

The financing fees associated with the original bank loan were written off in the current year and the new facility financing fees were capitalised and will be amortised over the loan repayment period.

The loan is repayable in installments based on an agreed percentage amount of the total facilities per annum over a certain number of years.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps to mitigate its interest rate exposure. The fixed interest rate on the Senior Term Facility, including all margins, is 4.294%.

Subordinated debt loan

At the year end the Company owed £6,818,000 in loans to the immediate parent company, JLW Excellent Homes for Life Holding Company Limited, split £1,363,000 'A' Loan Notes and £5,454,000 'B' Loan Notes. The subordinated debt is unsecured and is subject to interest at 10.99% on the 'A' Loan Notes and 11.93% on the 'B' Loan Notes. The debt is repayable by instalments from surplus funds to 30th June 2034.

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Creditors: amounts falling due within one year

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans and overdrafts	15	3,017	2,367	-	-
Trade creditors		290	172	-	-
Gross amounts due to contract customers		456	914	-	-
Amounts due to parent undertakings	15	322	313	322	313
Corporation tax payable		-	150	-	-
Other taxation		375	366	-	-
Senior debt accrued interest		294	593	-	-
Accruals and deferred income		105	43	-	-
		<u>4,859</u>	<u>4,918</u>	<u>322</u>	<u>313</u>

17 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £'000	2015 £'000	Company 2016 £'000	2015 £'000
Bank loans and overdrafts	15	59,950	57,516	-	-
Amounts due to parent undertakings	15	6,697	6,818	6,697	6,818
Derivative financial instruments		6,899	3,748	-	-
		<u>73,546</u>	<u>68,082</u>	<u>6,697</u>	<u>6,818</u>

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

Payable by instalments	45,810	46,569	-	-
Payable other than by instalments	6,258	6,336	6,258	6,336
	<u>52,068</u>	<u>52,905</u>	<u>6,258</u>	<u>6,336</u>

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

18 Share capital and other reserves

	Group and company	
	2016	2015
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
50,000 ordinary shares of £1 each	50	50
	<u> </u>	<u> </u>

Other Reserves

The Group's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

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

19 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	Assets
	2016	2015
	£'000	£'000
Group		
Tax losses	772	-
Deferred tax on interest rate swap fair value	1,120	633
	<u> </u>	<u> </u>
	1,892	633
	<u> </u>	<u> </u>

The Company has no deferred tax assets or liabilities.

	Group	Company
	2016	2016
	£'000	£'000
Movements in the year:		
Liability/(asset) at 1 January 2016	(633)	-
Charge to profit or loss	(772)	-
Charge to other comprehensive income	(523)	-
Effect of change in tax rate - other comprehensive income	36	-
	<u> </u>	<u> </u>
Liability/(asset) at 31 December 2016	(1,892)	-
	<u> </u>	<u> </u>

JLW EXCELLENT HOMES FOR LIFE HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

19 Deferred taxation

(Continued)

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.

20 Controlling party

The Company's immediate parent company is JLIF Holdings (Regeneration and Social Housing) Limited, a subsidiary of John Laing Infrastructure Fund Limited. The Company's ultimate parent and controlling entity is John Laing Infrastructure Fund Limited, a company incorporated in Guernsey. Copies of the 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 FRS 102 Section 33 not to provide information on related party transactions with other undertakings in the John Laing Infrastructure Fund Limited group. A copy of the published financial statements of John Laing Infrastructure Fund Limited can be obtained from Companies House.

22 Cash generated from operations	2016 £'000	2015 £'000
(Loss)/profit for the year	(2,958)	315
Adjustments for:		
Income tax (credit)/expense recognised in profit or loss	(739)	80
Finance costs recognised in profit or loss	8,213	4,402
Investment income recognised in profit or loss	(6)	(11)
Movements in working capital:		
Decrease in debtors	2,130	3,533
(Decrease) in creditors	(270)	(198)
Cash generated from operations	6,370	8,121