REGENTER MYATTS FIELD NORTH LIMITED

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013

Registered Number 7489177

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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DIRECTORS AND ADVISORS

Directors
P A Edwards
G Barritt
J Heath (appointed 16 August 2013)
N P Wright
A S Pearson (resigned 11 January 2013)
N Puig Mas (resigned 16 August 2013)
M W H Penny
H A Saunders

Company secretary and registered office
M Lewis
1 Kingsway
London
WC2B 6AN

Auditor
Deloitte LLP
Chartered Accountants
London

Principal bankers
Norddeutsche Landesbank
One Wood Street
London
EC2V 7WT

DIRECTORS' REPORT

The Directors submit their Annual Report and the audited financial statements for the year ended 31 December 2013.

The Company is a wholly owned subsidiary of Regenter Myatts Field North Holdings Limited, which in turn is owned by John Laing Investments Limited (50%) and UKPIM Holdco Limited (50%).

GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate. More information is provided in note 1 to the financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company'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.

DIRECTORS

The Directors who served throughout the year, except as noted, are shown on page 1.

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 10.

PAYMENT TO CREDITORS

The Company's policy, which is also applied by the group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by these terms of payment.

AUDITORS

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations or incurred any political expenditure during the year.

On behalf of the Board

J Heath
Director
05 August 2014

STRATEGIC REPORT

The Directors present the strategic report of Regenter Myatts Field North Limited for the year ended 31 December 2013.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was incorporated on 11 January 2011.

The principal activity of the Company is the provision, maintenance, and management of new and refurbished social housing in the London Borough of Lambeth.

The project reached financial close on 4 May 2012 and the concession period will run until 2037.

In accordance with the agreed design master plan, the initial phase of the project will involve the construction of 305 new social and private homes, the modernisation and refurbishment of 172 existing council homes and the selective demolition of existing properties. High-quality public open spaces, improved car parking and new community facilities also form an integral part of this project.

FUTURE DEVELOPMENTS

Construction is forecast for completion in early 2016, after which the Company will continue to finance and operate the social housing project until the end of the concession.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to inflationary risk is mitigated by having an index linked unitary contract with London Borough of Lambeth.

There is also a risk that the facilities management supplier does not perform to standards set which could lead to an adverse KPI and would result in unitary deductions. The Company would look to pass any deductions down to the facilities management supplier to mitigate this risk.

The Company's construction risk is also mitigated by passing any liquidated damages to the sub-contractor.

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk, and interest rate risk.

Credit Risk: The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company'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 local governmental authorities.

Liquidity Risk: At the start of the PFI contract, the company negotiated debt facilities with an external party and the immediate parent company to ensure that the Company has sufficient funds over the life of the PFI concession.

Interest Rate Risk: The Company is exposed to interest rate risk which is managed through the use of interest rate swaps, details of which are set out in note 10 to the financial statements.

RESULTS AND DIVIDENDS

The profit for the year before taxation amounted to £376,000 (2012 - £145,000). After taxation of £88,000 (2012 - £36,000), profit for the year was £288,000 (2012 - £109,000).

The directors do not recommend the payment of a dividend for the year. (2012 - £nil)

J Heath
Director
05 August 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REGENTER MYATTS FIELD NORTH LIMITED

We have audited the financial statements of Regenter Myatts Field North Limited for the year ended 31 December 2013 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 15. 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).

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 (APB'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 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 Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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, 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.

RH

Ross Howard (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5 August 2014

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	29,700	28,879
Cost of sales		(29,522)	(28,716)
Operating profit	3	178	163
Net interest receivable / (payable)	6	198	(18)
Profit on ordinary activities before taxation		376	145
Tax on profit on ordinary activities	7	(88)	(36)
Profit for the financial year	12	288	109

A reconciliation of movements in shareholders' funds is given in note 13.

All items in the profit and loss account relate to continuing operations.

There is no material difference between the results stated in the profit and loss account and their historical cost equivalents.

All gains and losses are recognised in the profit and loss account in both the current and preceding year, and therefore no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £'000	2012 £'000
Current assets			
Debtors		55,319	28,353
- due within one year	8	6,145	24,883
- due after more than one year	8	49,174	3,470
Cash at bank and in hand		3,399	3,908
		58,718	32,261
Current liabilities			
Creditors: amounts falling due within one year	9	(5,066)	(4,196)
Net current assets		53,652	28,065
Total assets less current liabilities		53,652	28,065
Creditors: *amounts falling due after more than one year*	9	(53,250)	(27,951)
Net assets		402	114
Capital and reserves			
Called up share capital	11	5	5
Profit and loss account	12	397	109
Shareholders' funds	13	402	114

The financial statements of Regenter Myatts Field North Limited, registered number 7489177, were approved by the Board of Directors and authorised for issue on 05 August 2014. They were signed on its behalf by:

J Heath
Director
05 August 2014

Notes to the financial statements for the year ended 31 December 2013

1 ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. A summary of the principal accounting policies adopted by the Directors, which have been applied consistently throughout the current and preceding year, is shown below.

The Company is a wholly owned subsidiary undertaking of Regenter Myatts Field North Holdings Limited and as such is exempt under FRS1 (revised 1996) from the requirement to prepare its own cash flow statement.

The current economic conditions create some uncertainty, including with respect to:
(a) the ability of key sub-contractors to continue to meet contractual commitments;
(b) the ability of the debt provider to continue to meet its contractual commitments; and
(c) the ability of the SWAP provider to continue to meet their commitments.

The Directors have also considered the ability of government authorities to continue to pay unitary fees due to the Company and do not consider this to be a material risk.

The Company's forecasts and projections, taking account of reasonably possible changes in counterparty performance, show that the Company expects to be able to continue to operate.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

b) Turnover

During the refurbishment phase of the project, all attributable expenditure, including finance costs, is included in amounts recoverable on contracts and turnover as construction income. Also included within turnover is leasehold pass-through income and facilities maintenance service revenue, which is recognised upon invoicing. Turnover is derived entirely in the UK and excludes VAT.

c) Finance debtor

The Company is an operator under a PFI contract. Under the terms of the contract, substantially all the risks and rewards of ownership of the property asset remain with the Lambeth Council. The underlying asset is therefore not a fixed asset of the Company under FRS5 Application Note F and SSAP 21.

d) Finance debtor and income recognition

During the construction phase of the project, all attributable expenditure including finance costs is included in amounts recoverable on contracts and turnover. Upon units receiving completion certification, the associated costs are transferred to the finance debtor. During the operational phase, income is allocated between interest receivable and turnover using a constant operating margin on costs. The remainder of the PFI income will be allocated to the finance debtor.

e) Operating costs

Operating costs are added to amounts recoverable on contract during the construction period. Following commissioning, regular operating costs will be expensed to the profit and loss account as incurred.

f) Interest payable

Interest costs are added to amounts recoverable on contract during the construction period. Following commissioning, regular interest costs will be expensed to the profit and loss account as incurred.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1 ACCOUNTING POLICIES (continued)

g) Taxation

Current tax, including United Kingdom Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

In accordance with FRS19 'Deferred Tax', deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are not discounted.

h) Financial instruments

The Company uses financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes.

i) Bank Borrowings

Interest-bearing bank loans and overdraft are recorded at the proceeds received, net of direct issue costs. Finance Charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

j) Debt issue costs

Costs incurred following the issue of debt are held on the balance sheet and charged to the profit and loss account over the period that the relevant debt is held using an effective interest rate.

Notes to the financial statements for the year ended 31 December 2013 (continued)

2 TURNOVER

	2013	2012
Turnover in the year is analysed as follows:	£'000	£'000
Construction revenue	24,963	24,759
Service fee revenue	4,529	4,117
Other operating income	208	3
	29,700	28,879

3 OPERATING PROFIT

	2013	2012
	£'000	£'000
Operating profit is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	12
Fees payable to the Company's auditor for the audit of Regenter Myatts Field North Holdings Limited's annual accounts	3	3
Construction, Operating and Maintenance costs	24,963	27,326
Other Operating costs	4,544	1,375

4 DIRECTORS' REMUNERATION

Directors Fees of £nil were paid as remuneration for services to the Company during the current year (2012 - £20k). The Group is managed by secondees from the shareholders under a management services contract.

5 STAFF NUMBERS

The Company had no employees during the year (period to 31 December 2012 - nil).

6 NET INTEREST RECEIVABLE / (PAYABLE)

	2013	2012
	£'000	£'000
Interest receivable and similar income		
Interest receivable on bank deposits	-	7
Interest receivable on finance debtor	817	40
Interest receivable capitalised	-	(7)
	817	40
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	(2,791)	(969)
Amortised debt issue costs	(124)	(42)
Commitment fee on undrawn loan facility	(139)	(642)
Capitalised interest	2,250	916
Capitalised commitment fee on undrawn loan facility	139	642
Capitalised debt issue costs	46	37
	(619)	(58)
Net interest receivable / (payable)	198	(18)

Notes to the financial statements for the year ended 31 December 2013 (continued)

7 **TAX ON PROFIT ON ORDINARY ACTIVITIES**

Analysis of charge for the year	**2013** **£'000**	2012 £'000
Current tax		
UK corporation tax	**(88)**	(36)
Total current tax	**(88)**	(36)
Total tax charge on profit on ordinary activities	**(88)**	**(36)**

Factors affecting the tax charge for the current year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2013 **£'000**	2012 £'000
Profit on ordinary activities before taxation	**376**	**145**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.5% (2012 - 24%)	**(88)**	**(36)**
Total current tax for the year	**(88)**	**(36)**

For the year ended 31 December 2013, the blended UK rate of 23.25% is applied due to the change in the UK corporation tax rate from 24% to 23% with effect from 1 April 2013.

8 **DEBTORS**

	2013 **£'000**	2012 £'000
Due within one year:		
Finance debtor	**664**	189
Trade debtors	**765**	341
Amounts recoverable on contracts	**-**	21,092
Financial assets	**1,710**	-
Other taxation and social security	**127**	821
Prepayments and accrued income	**2,879**	2,440
	6,145	24,883
Due after more than one year:		
Finance debtor	**20,916**	2,881
Amounts recoverable on contracts	**28,258**	589
	49,174	**3,470**

Notes to the financial statements for the year ended 31 December 2013 (continued)

9 CREDITORS

	2013 £'000	2012 £'000
Amounts falling due within one year		
Bank loans *(note 10)*	-	-
Less: unamortised debt issue costs	(125)	(92)
Amounts owed to group undertakings	1,063	423
Trade creditors	79	2,770
Corporation tax	107	36
Contractor retentions	1,108	581
Accruals and deferred income	2,834	478
	5,066	4,196
Amounts falling due after more than one year		
Bank loans (note 10)	46,825	21,600
Less: unamortised debt issue costs	(1,560)	(1,634)
Amounts owed to group undertakings	7,985	7,985
	53,250	27,951

	2013 £'000	2012 £'000
Analysis of debt:		
Debt can be analysed as falling due:		
In one year or less	-	-
Between one and two years	-	-
Between two and five years	18,771	8,632
In five years or more	36,039	20,953
	54,810	29,585
Less: *unamortised debt issue costs*	(1,685)	(1,726)
	53,125	27,859

An Equity Bridge loan is repayable to John Laing Investments Limited (50%), and UKPIM Holdco Limited (50%) on 29 February 2016 with interest at 8.023% per annum, payable on 29 February 2016.

10 LOANS

Bank loans

The Company has the facilities provided by Norddeutsche Landesbank, The Co-operative Bank plc and Nationwide in order to finance the construction of the project. The loans are repayable in instalments 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 which have a negative fair value at 31 December 2013 of £1,494,085 (2012: £3,889,171). The fixed interest rate on the facility, including all margins, is 3.24%. The Company does not hold or issue derivative financial instruments for speculative purposes.

11 CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Allotted, called up and fully paid:		
5,000 ordinary shares of £1 each paid to £1 each	5	5

12 MOVEMENT IN RESERVES

	Profit and loss account £'000
At 1 January 2013	109
Profit for the financial year	288
At 31 December 2013	397

Notes to the financial statements for the year ended 31 December 2013 (continued)

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013	2012
	£'000	£'000
Profit for the financial year	**288**	109
New shares issued	**-**	5
Net addition to shareholders' funds	**288**	114
Opening shareholders' funds	**114**	-
Closing shareholders' funds	**402**	114

14 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of Regenter Myatts Field North Holdings Limited, the Company has taken advantage of the exemption under Financial Reporting Standard 8 not to provide information on related party transactions with other undertakings within the Regenter Myatts Field North Holdings Limited Group.

15 ULTIMATE PARENT UNDERTAKING

The Company's ultimate and immediate parent company and controlling entity, and the largest and smallest group in which its results are consolidated, is Regenter Myatts Field North Holdings Limited, a company incorporated in Great Britain and registered in England and Wales whose registered office is 1 Kingsway, London WC2B 6AN. Copies of the consolidated accounts are available from Companies House, Crown Way, Cardiff CF14 3UZ.