AGP Holdings (1) Limited

Strategic Report, Directors' Report and Financial Statements

Registered number 04152477

31 December 2013

Contents

Strategic report

The directors present their Strategic report for Annes Gate Property Holdings (1) Limited, the holding company of Annes Gate Property PLC for the year ended 31 December 2013.

Principal activities

The Company is the holding company of Annes Gate Property PLC whose principal activity is the finance, design and construction, refurbishment and partial operation of a Home Office building under the Government's Private Finance Initiative (PFI). The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Review and analysis of the business during the current year

The Group continued its principal activities throughout the current year. These activities are outlined in the Directors' Report

The Group, as defined in note 21 to the financial statements, has entered into a project agreement with Her Majesty's Principal Secretary of State for the Home Department (the "Authority"), together with an associated construction contract, funding agreements, hard and soft services contracts and ancillary project agreements ('the Project Agreement'). The Project Agreement requires it to finance, design, develop, construct, maintain and deliver certain non-core services within the new Home Office for a primary term of twenty-nine years commencing 26 March 2002, the date of signing of the Project Agreement ('the Project') to 02 April 2031.

In order to achieve these objectives, the group's strategy is to sub-contract services to third party providers who hold the relevant technical knowledge and resources to deliver these services.

Key performance indicators (KPIs)

1. Performance deductions under the service contract

Financial penalties are levied by the "Authority" in the event of performance standards not being achieved according to detailed criteria set out in the Project Agreement. The deductions are passed on to the service provider. In the year ended 31 December 2013, deductions of £106,618 (2012: £51,654) had been levied which represents 0.5% *(2012:* 0.2%) of revenue. The Directors feel the performance for the year to be satisfactory.

2. Financial performance

The Group has modelled the anticipated financial outcome of the Project across its full term. The directors' monitor actual financial performance against this anticipated performance. As at 31 December 2013, the performance against this measure was satisfactory.

Position of the Company at the year end

The Group is in the operational phase of the contract. In the opinion of the Directors the Project is proceeding satisfactorily.

Development and financial performance during the year

As reported in the Group's profit and loss account, revenue has increased from £21,815,000 in 2012 to £22,860,000 in 2013 in line with expectations.

The profit for the year after taxation was £1,999,000 (2012: £1,164,000). The directors consider the results for the year satisfactory.

The balance sheet shows that the carrying value of the Company's net assets at year end was £1,699,000 (2012: £200,000).

Strategic report *(continued)*

Principal risks and uncertainties

The "Authority" is the sole client of the Group but the directors consider that no strategic risk arises from such a small client base since the client is a central government organisation and its obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Performance risk under the Project Agreement and related contracts is passed on to the service provider or the building contractor. The obligations of these subcontractors are underwritten either by performance guarantees issued by banks or by parent company guarantees.

The Group is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk and liquidity risk (see note 14 for more details).

Future prospects

The Group will continue to provide and support the Secretary of State for the Home Department, in its development of the Home Office under the PFI scheme.

This report was approved by the board on 11th JUNE 2014 and signed on its behalf by:

M Wayment

M Wayment
Director

21st St Thomas Street
Bristol
BS1 6JS

11th JUNE 2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013

Going Concern

Having made appropriate enquires the directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

Dividend

Ordinary dividends totalling £500,000 were declared during the year but not yet paid to the shareholder (2012: £nil).

Political Donations

There were no political donations during the year (2012: £nil)

Directors

The directors who held office during the year were as follows:

B Bodin
D J Carr
M Wayment
K Pickard (resigned 21 January 2013)
A Caines (appointed 21 January 2013)

Directors' indemnity

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Financial risk management policies and objectives

The Group's principal financial instruments comprise of short term bank deposits; index linked and fixed rate bonds. The main purpose of these financial instruments is to ensure, via the terms of the financial instruments, that the profile of the debt service costs is tailored to match expected revenues arising from the concession agreement.

The Group does not undertake financial instrument transactions which are speculative or unrelated to the Group's trading activities. Board approval is required for the use of any new financial instrument, and the group's ability to do so is restricted by covenants in its existing funding agreements.

Exposure to liquidity, credit and interest rate risks arise in the normal course of the Group's business. Interest-bearing bank loans and other borrowings are recorded at the proceeds received, net of direct issue costs.

Finance charges, including direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Directors' report *(continued)*

Disclosure of information to auditors

Each person who is a Director and held office at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditors

KPMG Audit Plc resigned as auditor during the year pursuant to section 516 of the Companies Act 2006. On the same date, the Directors appointed KPMG LLP as auditor of the company to fill the casual vacancy as auditor under section 485(3) of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

M Wayment

M Wayment
Director

11th JUNE 2014

21st St Thomas Street
Bristol
BS1 6JS

Statement of directors' responsibilities in respect of the Strategic report Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 the parent 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.

KPMG

Independent auditor's report to the members of AGP Holdings (1) Limited

We have audited the financial statements of AGP Holdings (1) Limited for the year ended 31 December 2013 set out on pages 9 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 7, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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;
- have been properly prepared in accordance with UK 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 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.

W. Meredith

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 June 2014

Consolidated profit and loss account

for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Turnover	2	**22,860**	21,815
Cost of sales		**(15,188)**	(14,165)
Gross profit		**7,672**	7,650
Administrative expenses		**(1,036)**	(1,100)
Operating profit		**6,636**	6,550
Other interest receivable and similar income	6	**15,789**	15,950
Interest payable and similar charges	7	**(20,025)**	(20,962)
Profit on ordinary activities before taxation	3	**2,400**	1,538
Tax on ordinary activities	8	**(401)**	(374)
Profit for the financial year		**1,999**	1,164

The results above are all derived from continuing operations. There are no recognised gains and losses for the year other than those recorded in the profit and loss account.

Movements in reserves are shown in note 16.

The notes on pages 14 to 25 form part of these financial statements.

Consolidated balance sheet
as at 31 December 2013

	Note	**2013**	2012
		£000	£000
Current assets			
Debtors (including £250,838,000 (*2012: £254,842,000)* due after more than one year)	*10*	**255,597**	259,548
Cash at bank and in hand		**25,632**	23,484
		281,229	283,032
Creditors: amounts falling due within one year	*11*	**(20,111)**	(18,847)
Net current assets		**261,118**	264,185
Creditors: amounts falling due after more than one year	*12*	**(258,481)**	(263,448)
Provisions for liabilities and charges	*13*	**(938)**	(537)
Net assets		**1,699**	200
Capital and reserves			
Called up share capital	*15*	**550**	550
Profit and loss account	*16*	**1,149**	(350)
Equity shareholders' funds		**1,699**	200

The notes on pages 14 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 11th JUNE 2014 and were signed on its behalf by

M. Wayment

M Wayment
Director

11th JUNE 2014

21st St Thomas Street
Bristol
BS1 6JS

Company balance sheet
as at 31 December 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	*9*	**550**	550
Current assets			
Debtors (including £29,974,000 *(2012:£39,974,000)* due after more than one year)	*10*	**29,974**	30,324
Cash at bank and in hand		**2,729**	2,800
Creditors: amounts falling due within one year	*11*	**(2,729)**	(3,150)
Net current assets		**29,974**	29,974
Creditors: amounts falling due after more than one year	*12*	**(29,974)**	(29,974)
Net assets		**550**	550
Capital and reserves			
Called up share capital	*15*	**550**	550
Equity shareholders' funds		**550**	550

The notes on pages 14 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 11th JUNE 2014 and were signed on its behalf by:

M. Wayment

M Wayment
Director
11th JUNE 2014

Consolidated cash flow statement
for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £000**	Year ended 31 December 2012 £000
Cash inflow from operating activities	*17*	**11,524**	8,685
Returns on investments and servicing of finance	*18*	**(4,673)**	(2,942)
Cash inflow before financing		**6,851**	5,743
Taxation		**192**	738
Financing	*18*	**(4,895)**	(4,998)
Increase in cash in the year		**2,148**	1,483

Reconciliation of net cash flow to movement in net debt

	Note	**2013 £000**	2012 £000
Increase in cash in the year		**2,148**	1,483
Repayment of debt		**4,895**	4,998
Non cash movements		**(444)**	(454)
Movement in net debt		**6,599**	6,027
Net debt at the start of the year		**(249,487)**	(255,514)
Increase in cash in the period	*19*	**(242,888)**	(249,487)

Consolidated reconciliation of movements in shareholders' funds
for the year ended 31 December 2013

Group

	Share capital	Profit and loss account	Total
	£000	£000	£000
At 1 January 2013	550	(350)	200
Profit for the year	-	1,999	1,999
Less dividend paid	-	(500)	(500)
At 31 December 2013	**550**	**1.149**	**1.699**

Company

	Share capital	Profit and loss account	Total
	£000	£000	£000
At 1 January 2013	550	-	550
Profit for the year	-	500	500
Less dividend paid	-	(500)	(500)
At 31 December 2013	**550**	**-**	**550**

The notes on pages 14 to 25 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's and Group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2013. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going concern

The Directors have reviewed the net assets position and forecasts for the following 12 months and beyond and as a result have a reasonable expectation that the Group has the resources available at its disposal to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Dividends

Dividends are only recognised as a liability to the extent that they are declared prior to the year-end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Finance debtor and services income

The Group is an operator of a Private Finance Initiative contract. The underlying asset is not deemed to be a tangible asset of the Group under Financial Reporting Standard 5 Application Note F because the risks and rewards of ownership as set in that standard are deemed to lie principally with the "Authority". The Group bears a residual value risk with the resultant finance debtor such that the Directors have obtained a valuation report to support its carrying value which they will assess annually.

During the construction phase of the project, all attributable expenditure is included in amounts recoverable on contracts and turnover. Upon becoming operational, the costs are transferred to the finance debtor. During the operational phase income is allocated between interest receivable and the finance debtor using a project specific interest rate. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G. The group recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of these services. Major maintenance costs are recognised on an incurred basis and the revenue receivable in respect of these services is recognised when the services are performed.

Interest

Interest costs are capitalised during the construction phase of the contract, and will be amortised over the period of the concession. The effective interest rate is used to amortise the cost

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Debtors

Debtors are initially recognised at fair value and then stated at amortised cost.

Cash at bank

Cash at bank is carried in the balance sheet at nominal value.

Guaranteed Investment Contracts (GICs)

GICs are readily convertible into known amounts of cash at or close to their carrying values and are classified as cash. They are treated as held-to-maturity instruments as defined in paragraph 9 of Financial Reporting Standard 26 ('FRS 26'), which are initially recognised at fair value and then are stated at amortised cost.

Creditors

Creditors are initially recognised at fair value and then are stated at amortised cost.

Bank and other borrowings

Interest bearing bank loans, index linked bonds, subordinated debt and other loans are recorded at proceeds received, net of direct issue costs. Finance charges, including direct issue costs and indexation charges, are accounted for on accruals basis in the income statement using the effective interest method and added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Finance debtor

Finance debtor and amounts recoverable on contracts are classified as loans and receivables as defined in paragraph 9 of FRS 26, which are initially recognised at fair value and then are stated at amortised cost.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

All turnover and profit on ordinary activities before taxation originates in the United Kingdom. Turnover is recognised in accordance with the finance debtor and services accounting policy above and excludes VAT.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), investments in money market managed funds.

Notes to the financial statements *(continued)*

2 Analysis of turnover (all originated in the United Kingdom)

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Services income	**22,860**	21,815

All turnover originates in the United Kingdom. The service income above relates to facility management at the Home Office, Number 2 Marsham Street, London.

3 Profit on ordinary activities before taxation

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration :		
In respect of these financial statements	**2**	4
Audit of the financial statements of subsidiaries	**13**	13
	15	17

4 Remuneration of directors

None of the directors received any emoluments from the company (2012: £nil). However, a total payment of £117,000 (2012: £123,000) was made to the employers for the services of directors.

5 Staff numbers and costs

The Group and the Company had no employees during the year (2012: nil).

6 Other interest receivable and similar income

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest receivable on finance debtor	**15,414**	15,633
Bank interest receivable	**375**	317
	15,789	15,950

Notes to the financial statements *(continued)*

7 Interest payable and similar charges

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest on fixed rate bonds	**5,661**	5,661
Interest on index linked bonds	**4,630**	4,950
Indexation on index linked bonds	**4,782**	5,283
Interest on subordinated debt	**4,508**	4,613
Amortisation of debt issue costs	**444**	454
Other interest	**-**	1
	20,025	20,962

8 Taxation

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Group relief surrendered – prior years	**-**	287
Total current tax	**-**	287
Deferred tax		
Origination / reversal of timing difference	**471**	375
Adjustment to prior years	**-**	(242)
Change in tax rate	**(70)**	(46)
Tax on profit on ordinary activities	**401**	374

Factors affecting the tax charge for the current period

The tax assessed for the period differs from the average standard rate of corporation tax in the UK 23.25% (2012: 24.5%). The difference is explained below:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,400**	1,538
Current tax at 23.5% (2012: 24.5%)	**564**	377
Effects of:		
Accelerated capital allowances	**(488)**	(377)
Utilisation of tax losses brought forward	**(76)**	-
Total current tax charge	**-**	-

Notes to the financial statements *(continued)*

8 Taxation *(continued)*

Factors that may affect future current and total tax charges

The Group has tax losses of £57.3 million (2012: £57.4 million) which have been carried forward and will be offset against future taxable profits. A deferred taxation liability has been recognised for the tax losses.

Deferred tax

Deferred tax is provided at 20% (2012: 23%) in the financial statements. The elements of deferred taxation are as follows:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Tax losses for prior periods	**13,199**	14,347
Adjustment for tax rate change	**(1,721)**	(1,148)
Utilisation of losses in the year	**(65)**	-
Total deferred tax asset	**11,413**	13,199
Capital allowances in excess of related finance debtor amortisation brought forward	**(13,736)**	(14,797)
Prior years adjustment to capital allowances claimed	-	242
Accelerated capital allowances	**(407)**	(375)
Adjustment for tax rate change	**1,792**	1,194
Total deferred tax liability	**(12,351)**	(13,736)
Deferred tax liability	**(938)**	(537)

The deferred tax asset has been recognised on those tax losses which can be set off against future profits of the Group. The future profits of the Group have been estimated based on the forecasted cash flows and its estimated contractual rights and obligations as an operator of a Private Finance Initiative contract.

Factors that may affect future current and total tax charges

On 20 March 2013 the Chancellor proposed changes to further reduce the main rate of corporation tax by two per cent to 21 per cent on 1 April 2014 and by a further one per cent to 20 per cent on 1 April 2015.This tax change became substantively enacted on 2 July 2013.

This will reduce the Group's future tax charge accordingly and has reduced the deferred tax liability at the balance sheet date.

Notes to the financial statements *(continued)*

9 Fixed asset investments

	Shares in group undertakings £000
Company	
At beginning and end of year	550

The undertakings in which the Company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held Company
Annes Gate Property PLC	United Kingdom	PFI operator	£1 ordinary shares 99.8%
AGP (2) Limited	United Kingdom	Holding company	£1 ordinary shares 100%

10 Debtors

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Finance debtor	**254,842**	258,612	**-**	-
Subordinated debt receivable	**-**	-	**29,974**	30,324
Trade debtors	**93**	351	**-**	-
Prepayments and accrued income	**662**	393	**-**	-
Consortium tax relief receivable	**-**	192	**-**	-
	255,597	259,548	**29,974**	30,324

Total Group debtors include finance debtor of £250,838,000 *(2012*: £254,842,000*)* due after more than one year.

Amounts due from group undertakings due after more than one year are £29,974,000 (2012: £29,974,000).

Included in the finance debtor is an amount of £137.5 million which is subject to open market value testing two years and nine months before the date of expiry of the Project Agreement in 2031. In the opinion of the Directors this amount remains fully recoverable by the Group.

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
3.237% Index-linked Guaranteed Secured bonds due 2030	**10,039**	9,523	-	-
Subordinated debt interest	**2,229**	3,150	**2,229**	3,150
Trade creditors	**144**	101	-	-
Other creditors	**922**	932	-	-
Accruals and deferred income	**4,940**	4,784	-	-
Unitary charge control account	**1,337**	357	-	-
Dividend payable	**500**	-	**500**	-
	20,111	18,847	**2,729**	3,150

12 Creditors: amounts falling due after more than one year

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Subordinated debt capital	**29,974**	29,974	**29,974**	29,974
3.237% Index-linked Guaranteed Secured bonds due 2030	**134,105**	139,516	-	-
5.661% Guaranteed Secured bonds due 2031	**100,000**	100,000	-	-
	264,079	269,490	**29,974**	29,974
Less: Unamortised issue costs	**(5,598)**	(6,042)	-	-
	258,481	263,448	**29,974**	29,974

3.237% Index-linked Guaranteed Secured bonds and 5.661% Guaranteed Secured bonds are secured by a fixed and floating charge over the assets of the Company. The Guaranteed Secured bonds are fixed at an interest rate of 5.661% and will be redeemed on their maturity in 2031.

The Index-linked Guaranteed Secured bonds are fixed at an interest rate of 3.237% which along with principal payments, are indexed to Retail Price Index using an agreed ratio. The indexed bonds repayments commence in 2006 and are fully redeemed by 2030.

The subordinated debt issued to the company by its investors bears interest at 14.75% with interest repayments commencing in 2006 until 2031, and all capital will be repaid in 2031. The subordinated debt is secured against the assets of the Group and subordinated to the senior bonds.

13 Deferred tax

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
At 1 January 2013	**537**	450
Recognised in year	**401**	87
At 31 December 2013	**938**	537

Notes to the financial statements *(continued)*

14 Financial instruments

Credit risk

Although the "Authority" is the only customer of the group, the directors are satisfied that the Authority will be able to fulfil its obligations under the PFI contract as their obligations are underwritten by the Secretary of State for the Home Department.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at year end was:

	2013 £000	2012 £000
Finance debtor	**254,842**	258,612
Trade debtors	**93**	351
Other debtors	**-**	192
Cash at bank and in hand	**25,632**	23,484
	280,567	282,639

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's financial obligations, including the repayment of its borrowings which are provided on a long term basis, have been structured to be met from the income which under normal operating conditions, will be earned from its long term concession contract with the "Authority" as their obligations under the Project Agreement are underwritten by the Secretary of State for the Home Department.

Interest rate risk

The Company aims to manage exposure to interest rate fluctuations through a balance of fixed rate borrowings along with floating rate borrowings (index linked bonds). Except Guaranteed Secured Index-Linked Bonds which are subject to bi-annual indexation calculated from an agreed formula based on the Retail Price Index, all the other interest bearing assets and liabilities are primarily of fixed rate. The indexation risk is also offset by turnover being subject to similar indexation terms.

Capital risk management

The Group manages its capital to ensure it is able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group comprises equity attributable to equity holders consisting of ordinary share capital, reserves and retained earnings as disclosed in notes 15 and 16.

Notes to the financial statements *(continued)*

14 Financial instruments *(continued)*

Effective interest rates and maturity profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature:

2013

	Effective interest rate	**Total £000**	One or less years £000	One–two years £000	Two– five years £000	Five years and over £000
Subordinated debt	14.75%	**(32,203)**	(2,229)	-	-	(29,974)
Guaranteed secured index-linked bond*	3.237% - 6%	**(144,144)**	(10,039)	(11,550)	(35,062)	(87,493)
Guaranteed secured bond	5.661%	**(100,000)**	-	-	-	(100,000)
Finance debtor	6.00%	**254,842**	4,003	4,250	14,389	232,200
Bank balances*	0%- 2%	**25,632**	25,632	-	-	-
At 31 December 2013		**4,127**	**17,367**	**(7,300)**	**(20,673)**	**14,733**

* Floating rate

2012

	Effective Interest rate	**Total £000**	One or less years £000	One – two years £000	Two – five years £000	Five years and over £000
Subordinated debt	14.75%	**(33,124)**	(3,150)	-	-	(29,974)
Guaranteed secured index-linked bond*	3.237% - 6%	**(149,038)**	(9,523)	(10,068)	(35,798)	(93,649)
Guaranteed secured bond	5.661%	**(100,000)**	-	-	-	(100,000)
Finance debtor	6.00%	**258,612**	3,771	4,003	13,553	237,285
Bank balances*	0%- 2%	**23,484**	23,484	-	-	-
At 31 December 2012		**(66)**	14,582	(6,065)	(22,245)	13,662

* Floating rate

Fair values

Fair value of finance debtor and subordinated debt is calculated by discounting future cash flows at an appropriate discount rate. The discount rate used is calculated by adding an appropriate premium to the relevant gilt yield for the project. The gilt yield reflects the unexpired term of the project agreement and the estimated premium reflects the market spread that would be required by investors of PFI project companies with similar risk profiles. The discount rates that have been applied to the finance debtor are 5.25% (2012: 4.58%) and subordinated debt is 8.30% (2012: 8.40%).

Fair value of indexed linked bonds and fixed rate bonds are the value based on quoted rates received from the banks applied to its book value.

Notes to the financial statements *(continued)*

14 Financial instruments *(continued)*

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and financial liabilities as at 31 December 2013:

	Book value 2013 £000	**Fair value 2013 £000**	Book value 2012 £000	Fair value 2012 £000
Subordinated debt	**(29,974)**	**(48,226)**	(30,324)	(52,664)
Guaranteed secured index-linked bond	**(144,144)**	**(233,912)**	(149,038)	(234,916)
Guaranteed secured bond	**(100,000)**	**(105,670)**	(100,000)	(109,865)
Trade creditors	**(144)**	**(144)**	(101)	(101)
Finance debtor	**254,842**	**268,958**	258,612	290,003
Bank balances	**25,632**	**25,632**	20,684	20,684
Trade debtors	**93**	**93**	351	351
	6,305	**(93,269)**	184	(86,508)

15 Called up share capital

	Group and Company 2013 £	Group and Company 2012 £
Allotted, called up and fully paid		
Equity: Ordinary 'A' shares of £1 each	**550,098**	550,098
Ordinary 'B' shares of £1 each	**1**	1

16 Movement in profit and loss account

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
At beginning of year	**(350)**	(1,514)	**-**	-
Profit for the financial year	**1,999**	1,164	**500**	-
Less dividend	**(500)**	-	**(500)**	-
At end of year	**1,149**	(350)	**-**	-

Notes to the financial statements *(continued)*

17 Reconciliation of operating profit to operating cash flows

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Operating profit	**6,636**	6,550
Decrease in debtors	**3,759**	3,399
Increase/(decrease) in creditors	**1,129**	(1,264)
Net cash inflow from operating activities	**11,524**	8,685

18 Analysis of cash flows

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Returns on investment and servicing of finance		
Interest received	**15,789**	15,950
Interest paid	**(20,462)**	(18,892)
	(4,673)	(2,942)
Financing		
Debt repaid in the year		
- Guaranteed Secured Index-Linked Bond repayable in 2030	**(4,895)**	(4,998)
- Dividend in the year	**500**	-
-Increase in dividend payable	**(500)**	-
	(4,895)	(4,998)

19 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non-cash movements £000	At end of year £000
Cash at bank and in hand	23,484	2,148	-	**25,632**
Debt due within one year	(9,523)	9,523	(10,039)	**(10,039)**
Debt due after one year	(263,448)	(4,628)	9,595	**(258,481)**
	(249,487)	7,043	(444)	**(242,888)**

Notes to the financial statements *(continued)*

20 Related party disclosures

During the year, the group incurred costs charged by these related parties as follows:

	Transactions		Balance owed to at year end	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Facility Management Services				
- ByHome Limited (FM Services)	**11,074**	10,780	**-**	122
- ByHome Limited (Variations)	**1,424**	1,418	**298**	91
- ByHome Limited (Lifecycle)	**2,690**	1,991	**673**	498
Management services				
- Infrastructure Investments LP	**59**	57	**59**	57
Directors' fees				
- ByHome Limited	**-**	10	**-**	-
- Infrastructure Investments LP	**117**	113	**118**	113
Subordinated debt (HICL see note 21)				
- Capital	**-**	-	**29,974**	29,974
- Interest	**4,508**	4,613	**2,229**	3,150
	19,872	18,982	**33,350**	34,005

21 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Infrastructure Investments Holdings Limited registered in England and Wales, is the shareholder of AGP Holdings (1) Limited.

The smallest and largest Group in which the results of the Company are consolidated is that headed by AGP Holdings (1) Limited (the "Group"). The consolidated accounts of this Group are available to the public and may be obtained from 21 St Thomas Street, Bristol, BS1 6JS.

The ultimate parent company is HICL Infrastructure Company Limited incorporated in Guernsey.