

Gleeson PFI Investments Limited

Directors' report and financial statements

Registered number 05337924

30 June 2010



Directors' report and financial statements

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Company information

The board of directors	AC Martin C Rossiter
Company Secretary	JE Baldry
Registered Office	Integration House Rye Close Ancells Business Park Fleet Hampshire GU51 2QG
Auditors	KPMG Audit Plc Chartered Accountants & Registered Auditor 1 The Embankment Neville Street Leeds LS1 4DW
Bankers	Santander UK Plc Davidson House Forbury Square Reading RG1 3EU

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2010

Principal activities

The Company's principal activity is the investment in equity shares and loan stock of project companies delivering services under the Government's Private Finance Initiative

The Company is a limited liability company incorporated and domiciled in the United Kingdom

Dividend

No dividend is proposed (2009 £nil) The result for the financial year is set out in the income statement on page 6

Key performance indicators

Interest on loans to joint ventures is the key measures of financial performance in the company, and is as follows

	2010	2009
Share of interest on loans to joint ventures (£000's)	261	158

Directors

The directors who served during the year are listed below

C Rossiter

NC Holt (resigned 30 September 2010)

AC Martin

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at a forthcoming General Meeting

Signed on behalf of the directors



AC Martin

Director

Approved by the directors on 13 January 2011

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

The directors are responsible for preparing 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 financial statements in accordance with IFRSs as adopted by the EU 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 period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, 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 auditors' report to the members of Gleeson PFI Investments Limited

We have audited the financial statements of Gleeson PFI Investments Limited ("the Company"), for the year ended 30 June 2010 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 30 June 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, 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 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.



Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants and Registered Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW
13 January 2011

Statement of comprehensive income
For the year ended 30 June 2010

	<i>Notes</i>	2010 £000	2009 £000
Profit on sale of investments in PFI projects		-	-
Operating profit		-	-
Financial income	5	261	158
Profit before taxation	3	261	158
Taxation	6	-	-
Profit for the year		261	158

Statement of financial position

As at 30 June 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Investments in joint ventures	7	450	450
Loans and other investments	8	4,474	1,610
		<u>4,924</u>	<u>2,060</u>
Current assets			
Trade and other receivables	9	2,000	-
Cash and cash equivalents		-	1,287
		<u>2,000</u>	<u>1,287</u>
Total assets		<u>6,924</u>	<u>3,347</u>
Current liabilities			
Cash and cash equivalents		(1,316)	-
Trade and other payables	10	(2,000)	-
		<u>(3,316)</u>	<u>-</u>
Total liabilities		<u>(3,316)</u>	<u>-</u>
Net assets		<u>3,608</u>	<u>3,347</u>
Equity			
Ordinary shares	11	-	-
Retained earnings		3,608	3,347
Total equity		<u>3,608</u>	<u>3,347</u>

These financial statements were approved by the board of directors on 13 January 2011 and were signed on its behalf by



AC Martin
Director

Statement of changes in equity

For the year ended 30 June 2010

	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2008	-	3,189	3,189
Total comprehensive income for the year			
Profit for the year	-	158	158
Total comprehensive income for the year	-	158	158
Balance at 1 July 2009	-	3,347	3,347
Total comprehensive income for the year			
Profit for the year	-	261	261
Total comprehensive income for the year	-	261	261
Balance at 30 June 2010	-	3,608	3,608

Statement of cashflow

For the year ended 30 June 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated from operations	12	-	-
Interest received		48	84
Net cash from operating activities		<u>48</u>	<u>84</u>
Cash flows from investing activities			
Loans advanced to joint venture companies	8	(2,651)	-
Net repayment of loans		-	263
Net cash flows from investing activities		<u>(2,651)</u>	<u>263</u>
Net (decrease)/increase in cash and cash equivalents		(2,603)	347
Cash and cash equivalents at beginning of year		1,287	940
Cash and cash equivalents at end of year		<u>(1,316)</u>	<u>1,287</u>

Notes to the financial statements

1 Accounting policies

Gleeson PFI Investments Limited ("Company") is a company incorporated in the United Kingdom

Statement of compliance

The Company's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRS)

Basis of preparation

Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates include the carrying value of joint venture investments and loans and other investments

The company is not required to prepare consolidated financial statements under section 400 of the Companies Act 2006 and IAS 27 – "Presentation of Consolidated Financial Statements" as it is a subsidiary of another entity that prepares consolidated financial statements (see note 17) As such, the results presented here are for the company as an individual undertaking and not of its Group

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

Joint venture investments

A joint venture is an entity over which the Company is in a position to exercise joint control through participation in the financial and operating policy decisions of the venture The joint venture entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity The Company's joint venture investments are carried at amortised cost less impairment

Loans and other investments

Loans are originally stated at fair value and subsequently carried at amortised cost less impairment Other investments are stated at fair value, with any resultant gains or losses taken to equity

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and bank overdrafts Bank overdrafts are shown in current liabilities on the balance sheet

Tax

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Tax (continued)

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Company can control the timing of the reversal. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Critical judgements in applying the entity's accounting policies

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Investment in joint ventures

Investments and investments in subsidiaries are stated at the lower of cost and net realisable value, which is dependent upon management's assessment of future trading activity and is therefore subject to a degree of inherent uncertainty.

Loans to joint ventures

Loans to joint ventures are stated at the lower of the value of the loan and net realisable value, which is dependent upon management's assessment of future trading activity of the joint venture and is therefore subject to a degree of inherent uncertainty.

2 Segmental information

The Company's results arose from, and the Company's net assets are deployed in, investing in the primary PFI market solely in the UK.

Notes to the financial statements *(continued)*

3 Profit before taxation

	2010 £000	2009 £000
<i>Profit before taxation is stated after crediting</i>		
Profit on sale of joint venture investments	-	-

The auditor's remuneration of £12,000 (2009 £12,000) was borne by Gleeson Capital Solutions Limited

4 Staff numbers and costs

The company had no employees (2009 £Nil) No amounts were paid to Directors (2009 £Nil)

5 Financial income

	2010 £000	2009 £000
Interest receivable from joint venture investments	261	158

6 Taxation

(a) Analysis of charge in year

	2010 £000	2009 £000
Current tax		
UK corporation tax expense on profit for the year at 28% (2009 28%)	-	-
Total current tax (note 6 (b))	-	-

(b) Factors affecting tax charge for year

The tax assessed for the period is lower than (2009 lower than) the standard rate of corporation tax in the UK of 28% (2009 28%)

The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	261	158
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	73	45
Effects of Group relief claimed	(73)	(45)
Total tax charge for year (note 6 (a))	-	-

Notes to the financial statements (continued)

7 Investment in Joint Ventures

	2010 £000	2009 £000
Investments in joint ventures		
At 1 July 2009	450	450
Amounts transferred from group undertakings	-	-
Less impairments	-	-
At 30 June 2010	<u>450</u>	<u>450</u>

The principal companies in which the Company's interest is more than 10% are as follows

Joint ventures	Country of incorporation	Principal activity	Year end date	Percentage of shares held and type
Grove Village Holdings Limited	England and Wales	PFI project company established to design, refurbish, construct and provide facilities management services for a social housing development in Manchester	31 March	** 49% C Ordinary
Chrysalis (Stanhope) Limited	England and Wales	PFI project company established to design, construct and provide facilities management services for a social housing development in Ashford	31 December	33 33% Ordinary
AvantAge (Cheshire) Limited	England and Wales	PFI project company established to design, construct and provide facilities management services for extra care housing developments across various sites in Cheshire	31 March	33 33% C Ordinary
Leeds Independent Living Accommodation Company Limited	England and Wales	PFI project company established to design, construct and provide facilities management services for independent living housing developments across various sites in Leeds	31 December	33 33% A Ordinary
Gleeson Capital Solutions Limited	England and Wales	A company providing bid management, accounting and operational management services to joint venture companies in the PFI industry	30 June	100% Ordinary

** Control is normally based upon the level of shareholding, however, the Articles of Association of each of the companies define that certain decisions have to be taken unanimously by the shareholders, effectively negating the power of the controlling entity

In the opinion of the directors the investments in and amounts due from the Company's subsidiary and associated undertakings are worth at least the amounts at which they are stated in the balance sheet

8 Loans to Joint Ventures

	2010 £000	2009 £000
At 1 July 2009	1,610	1,799
Interest charged in the year	261	158
Additions	2,651	-
Disposals	-	-
Repayments	(48)	(347)
At 30 June 2010	<u>4,474</u>	<u>1,610</u>

Notes to the financial statements *(continued)*

9 Trade and other receivables

	2010 £000	2009 £000
Trade receivables	2,000	-

The directors consider that the carrying amount of trade receivables approximates to their fair value

10 Trade and other payables

	2010 £000	2009 £000
Current liabilities		
Amounts due to group undertakings	2,000	-
	<u>2,000</u>	<u>-</u>

The directors consider that the carrying amount of trade payables approximates to their fair value

11 Called up share capital

	2010		2009	
	No	£	No	£
Authorised				
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

12 Cash flows from operating activities

	2010 £000	2009 £000
Cash flows from operating activities		
Profit before taxation	261	158
Adjustments for		
Financial income	(261)	(158)
Profit on disposal of investment in joint ventures	-	-
Cash generated from operations	<u>-</u>	<u>-</u>

13 Capital Commitments

As at 30 June 2010, the company had no capital commitments (2009 Nil)

14 Contingent liabilities

As at 30 June 2010, the company had no contingent liabilities (2009 Nil)

Notes to the financial statements *(continued)*

15 Financial instruments

Risk Exposure

The Company operates within the central treasury function for the MJ Gleeson Group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. Further information is provided within the MJ Gleeson Group accounts.

Cash and cash equivalents

Cash and cash equivalents comprises of cash held by the Company. The carrying amount of these assets equals their fair value.

Credit risk

The Company's principal financial assets are trade and other receivables and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group voluntarily reduced the committed revolving credit facility from £50,000,000 to £15,000,000 in October 2009 as the majority of the facility was not required. The Group then voluntarily terminated the facility in full in March 2010, prior to the contractual termination date of June 2010, as the facility was not required. The Group meets its day-to-day liquidity requirements through cashflow. The Group entered into a £5,000,000 letter of credit facility in August 2010 with Santander UK Plc.

Interest rate risk

The Company pays or receives no interest directly on its bank balances because all the bank balances of M J Gleeson Group plc and its subsidiaries are pooled, with any net interest payable to M J Gleeson Group plc.

Fair values

The fair value of the Company's financial assets and liabilities are not materially different from the carrying values.

Capital management

The Company's primary capital management objective is to ensure that the Group maintains investor, creditor and market confidence, to support its business and to maximise shareholder value.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the financial statements *(continued)*

16 Related party transactions

During the year the Company was party to the following transactions with related parties

	2010 £000	2009 £000
Interest receivable from joint venture investments	261	158

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

The company's immediate and ultimate parent undertaking is MJ Gleeson Group plc, which is registered in England and Wales

The smallest and largest group in which the results of the company are consolidated is that headed by MJ Gleeson Group plc. The consolidated financial statements of this group may be obtained from Integration House, Rye Close, Ancells Business Park, Fleet, Hampshire, GU51 2QG