

Thanet OFTO Intermediate Limited
Annual Report and Financial Statements
For the year ended 31 March 2017

Thanet OFTO Intermediate Limited
Annual Report and financial statements
Contents



	Page
Company information	1
Strategic report	2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditors' report to the members of Thanet OFTO Intermediate Limited	6
Income statement	7
Statement of financial position	8
Statement of Changes in Equity	9
Notes to the financial statements	10 - 14

**Thanet OFTO Intermediate Limited
Company Information**



Directors

Rebecca Collins
Sion Laurence Jones
Brian Roland Walker
Simon Rooke

Company Secretary

Nick Furmston

Auditor

KMPG LLP
15 Canada Square
London
E14 5GL

Bankers

SMBC
99 Queen Victoria Street
London
United Kingdom
EC4V 4EH

Registered office

6th Floor
350 Euston Road
Regents Place
London
United Kingdom
NW1 3AX

Registered number

07343544

**Thanet OFTO Intermediate Limited
Strategic Report**

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Strategic Review

Thanet OFTO Intermediate Limited (the Company) was incorporated in August 2010. It sold its entire ordinary share capital to Thanet OFTO Holdco Limited. The Company's principal activity is an investment company, investing in Thanet OFTO Limited by means of secured subordinated loan stock.

Review of the Business

The Company principal activity is the provision of loan stock to Thanet OFTO Limited.

The results for the year are set out on page 7. The profit for the year after taxation amounted to £nil (2016: £nil). This was in line with the Directors' expectations for the period.

Loan stock refers to the secured investment in Thanet OFTO Limited. The subordinated loan stock has been subscribed by the Company. The loan stock bears interest at a rate of 8.50% plus the higher of 1% and the change in RPIx and is repayable in instalments between 2015 and 2034. It is secured by second fixed and floating charges over the undertaking, property, assets and rights of the Company.

The net assets position as at 31 March 2017 was £nil (2016: £nil).

The Directors expect the Company to continue its operations for the foreseeable future.

Principal risks and uncertainties

The Directors do not believe that the Company is exposed to any significant Financial Risk. The Company's principal activity is as an investment company. The Company's asset is a loan to a PFI entity and the Director's believe that Thanet OFTO Limited will have sufficient cash flows to repay the interest and principal on the Company's investment. In turn Thanet OFTO Limited derives income from NGet. As it is a local government body it is deemed to be low risk.

Future Developments

There has been no indication of any significant future developments in the business.

This report was approved by the board on 27 July 2017 and signed by its order.



Simon Rooke
Director

Thanet OFTO Intermediate Limited

Registered number: 07343544

Directors' Report



The Directors present their Annual Report together with the audited financial statements for the year ended 31 March 2017.

The following information has been disclosed in the Strategic Report:

- Principal activities and business review
- Indication of likely future developments in the business
- Principal risks and uncertainties.

Returns and dividends

The audited financial statements for the year ended 31 March 2017 are set out on pages 7 to 14. The Company's profit for the year after tax amounted to £nil (2016: £nil). The Company has no distributable reserves and therefore the Directors do not propose to pay a dividend in respect of the year ended 31 March 2017 (2016: £nil). The Directors expect the Company to continue its operations for the foreseeable future.

Going concern

The assessment of going concern is linked to that of the Thanet Group, as its ability is dependent upon the financial performance of Thanet OFTO Limited.

The Thanet Group has substantial financial resources to cover its obligations to NGET, having arranged senior debt facilities and subordinated debt funding having been received from its shareholders at the start of the contract.

Accordingly, after making enquiries with the Thanet Group, 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 financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 of the statement of accounting policies in the financial statements.

Share Capital

The issued share capital of the Company at 31 March 2017 was £1 (2016: £1) consisting of 1 (2016: 1) ordinary share of £1.

Directors

The Directors serving throughout the year and subsequently (unless otherwise indicated) were:

R Collins
S L Jones
B R Walker
S Rooke

No Director had any interest in the issued share capital of the Company or other Group Companies at 31 March 2017.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

Company Information

Thanet Intermediate Limited is incorporated in Great Britain, registered in England and Wales and domiciled in the United Kingdom .

Company Secretary and Registered Office

The Company Secretary is Nick Furmston. The registered address is 350 Euston Road, Regent's Place, London NW1 3AX.

Provision of Information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

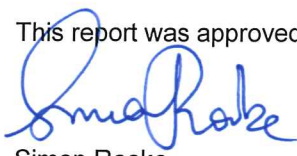
- (i) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (ii) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

KPMG LLP have indicated their willingness to be appointed for the year and appropriate arrangements have been put in place for them to be deemed appointed as auditors in the absence of an Annual General Meeting.

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

This report was approved by the board on 21 July 2017 and signed by its order.



Simon Rooke
Director

Thanet OFTO Intermediate Limited**Registered number:** 07343544**Director's Responsibilities Statement**

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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 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 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.

Thanet OFTO Intermediate Limited
Independent auditors' report
to the members of Thanet OFTO Intermediate Limited

We have audited the financial statements of Thanet OFTO Intermediate Limited for the year ended 31 March 2017 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 5, 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 the 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 March 2017 and of its result 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 matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Tom Eve (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

27 July 2017

Thanet OFTO Intermediate Limited
Income Statement
for the year ended 31 March 2017



	Notes	2017 £'000s	2016 £'000s
Revenue		-	-
Other operating expenses		-	-
Operating profit		<u>-</u>	<u>-</u>
Financial Income	4	2,147	2,038
Financial expenses	4	(2,147)	(2,038)
Profit before taxation		<u>-</u>	<u>-</u>
Taxation	5	-	-
Profit attributable to equity shareholders		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 10 to 14 form part of these financial statements.

The results reported above relate to continuing operations in the United Kingdom.

Thanet OFTO Intermediate Limited
Statement of Financial Position
as at 31 March 2017

THANET
OFTO

	Notes	2017 £'000s	2016 £'000s
Non-current assets			
Receivables: due after more than one year	6	20,625	20,641
Total non-current assets		<u>20,625</u>	<u>20,641</u>
Current assets			
Receivables: due within one year	7	2,121	2,714
Cash and cash equivalents		-	-
Total Current Assets		<u>2,121</u>	<u>2,714</u>
Total Assets		<u>22,746</u>	<u>23,355</u>
Current Liabilities			
Trade and other payables	8	(2,121)	(2,714)
Total current liabilities		<u>(2,121)</u>	<u>(2,714)</u>
Net current assets		<u>-</u>	<u>-</u>
Non-current liabilities			
Borrowings	9	(20,625)	(20,641)
Total non-current liabilities		<u>(20,625)</u>	<u>(20,641)</u>
Total Liabilities		<u>(22,746)</u>	<u>(23,355)</u>
Net assets		<u>-</u>	<u>-</u>
Equity			
Called up share capital	10	-	-
Retained earnings		-	-
Shareholders' Funds		<u>-</u>	<u>-</u>

These financial statements for Thanet OFTO Intermediate Limited, company registration number 07343544, were approved by the Board of Directors on 27 July 2017 and signed on its behalf by:



Simon Rooke
Director

Approved by the board on 27 July 2017

Thanet OFTO Intermediate Limited
Statement of Changes in Equity
as at 31 March 2017

	Called up Share Capital	Profit and loss	Total
COMPANY	£	£	£
At 1 April 2015	1	-	1
Issue of ordinary shares	-	-	-
Total comprehensive loss	-	-	-
At 31 March 2016	<u>1</u>	<u>-</u>	<u>1</u>
At 1 April 2016	1	-	1
Issue of ordinary shares	-	-	-
Total comprehensive loss	-	-	-
At 31 March 2017	<u>1</u>	<u>-</u>	<u>1</u>

Thanet OFTO Intermediate Limited
Notes to the Financial Statements
for the year ended 31 March 2017

1 Accounting policies

Thanet OFTO Intermediate Limited (the "Company") is a company incorporated in Great Britain, registered in England and Wales and domiciled in the United Kingdom.

a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Thanet OFTO Holdings Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Aberdeen Roads Holdings Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address in note 11.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Thanet OFTO Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

b) Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report and Strategic Report on pages 2 to 4.

The Directors having assessed the response of the Directors to their enquiries and have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current financial arrangements.

Despite the Company recording a £nil profit in the year, the Company's projections show that the Company expects to be able to continue to operate for the foreseeable future.

Thanet OFTO Intermediate Limited
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

1 Accounting policies (continued)

c) Senior secured debt

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

d) Finance costs

Finance costs are expensed during the construction and operational phase of the contract. The finance costs on the debt are recognised at a constant rate in accordance with the value of the debt.

e) Derivative Financial Instruments

The Company has entered into an arrangement with third parties that is designed to minimise the risk of changing LIBOR in connection with the Senior Term loan interest payments (Interest Rate swaps). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement.

Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in equity and any ineffective portion is recognised immediately in the Profit and Loss Account. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Profit and Loss Account in the same period in which the hedged item affects net profit or loss.

For an interest rate swap to be treated as a hedge the instruments must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

The Group has entered into an arrangement with third parties that is designed to hedge future cash receipts arising from its activities as a provider of transmission availability services (RPI swaps) and to minimise the risk of changing LIBOR in connection with the Senior Term loan interest payments (Interest Rate swaps). The Group has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Group's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement.

Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in equity and any ineffective portion is recognised immediately in the Income Statement. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Income Statement in the same period in which the hedged item affects net profit or loss.

Thanet OFTO Intermediate Limited
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Financial Statements requires management to make accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Assumptions and estimates are reviewed on a on-going basis and any revisions to them are recognised in the period the revision occurs. The following is a summary of the critical accounting policies adopted by the Company together with information about the key assumptions, estimates and assumptions that have been applied.

The directors have considered the Profit and Loss Account, the Balance Sheet and the Company's accounting policies and do not consider there to be any critical accounting judgements or key sources of estimate uncertainty.

3 Auditor's remuneration and remuneration of Directors and employees

Fees payable to KPMG LLP and their associates for the audit of the Company's annual accounts were £465 (2016: £500) and were borne by Thanet OFTO Limited.

The Directors received no salary, fees or other benefits in the performance of their duties in the current or preceding year. Directors' fees of £nil (2016: £nil) were paid by the Company. The Company had no employees in the current or preceding year. All costs of the Directors and other staff are borne by the shareholders who second their employees to Thanet OFTO Limited.

4 Financial income (net)

	2017	2016
	£'000s	£'000s
Interest receivable on secured subordinated loan stock	2,147	2,038
Interest payable on secured subordinated loan stock	<u>(2,147)</u>	<u>(2,038)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

5 Taxation

The taxation charge for the year is £nil (2016: £nil).

Thanet OFTO Intermediate Limited
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

6 Receivables: due after more than one year	2017 £'000s	2016 £'000s
Secured subordinated loan stock in fellow subsidiary undertaking	20,625	20,641
	<u>20,625</u>	<u>20,641</u>
<p>The loan stock bears interest at a fixed rate of 8.5% plus the greater of 1% or $((RPI_d/RPI_{d-1})-1) \times 100$ per cent where RPI_d is the value of RPI_x published or determined for the March which is the last month prior to the beginning of the financial year and RPI_{d-1} is the value of RPI_x for the March which is the last month prior to the beginning of the previous financial year. For the current financial year (2017/2016) 9.94% ((2016/2015) 9.50%) was used to accrue interest. The loan stock is repayable in instalments between 2015 and 2034.</p>		
7 Receivables: due within one year	2017 £'000s	2016 £'000s
Accrued interest on subordinated loan stock	2,121	2,714
	<u>2,121</u>	<u>2,714</u>
8 Trade and other payables	2017 £'000s	2016 £'000s
Accrued interest on subordinated loan stock	(2,121)	(2,714)
	<u>(2,121)</u>	<u>(2,714)</u>
9 Borrowings	2017 £'000s	2016 £'000s
Loan stock (repayable after more than five years)	(20,625)	(20,641)
	<u>(20,625)</u>	<u>(20,641)</u>

The secured subordinated loan stock is issued by the Company to the shareholders in proportion to their equity share holdings in Thanet OFTO Holdco Limited. The loan stock bears interest at a fixed rate of 8.5% plus the greater of 1% or $((RPI_d/RPI_{d-1})-1) \times 100$ per cent where RPI_d is the value of RPI_x published or determined for the March which is the last month prior to the beginning of the financial year and RPI_{d-1} is the value of RPI_x for the March which is the last month prior to the beginning of the previous financial year. For the current financial year 2017/2016 9.94% ((2016/2015) 9.5%) was used to accrue interest. The loan stock is repayable in instalments between 2015 and 2034.

Thanet OFTO Intermediate Limited
Notes to the Financial Statements (continued)
for the year ended 31 March 2017

10 Called Up Share Capital

	2017 £
Authorised, called up and fully paid:	
1 ordinary share of £1	1
	<u>1</u>
	<u>1</u>

The Company has one class of ordinary shares which carries no right to fixed income.

11 Ultimate parent company and controlling party

The Company is a wholly-owned subsidiary of Thanet OFTO Holdco Limited which is incorporated in Great Britain and registered in England and Wales. The only Group in which the results of Thanet OFTO Intermediate Limited are consolidated is Thanet OFTO Holdco Limited, copies of whose financial statements are available from its registered office; 6th Floor, 350 Euston Road, Regents Place, London, NW1 3AX.

The Company's ultimate parent companies and controlling parties are Balfour Beatty plc and Equitix Capital Eurobond 2 Limited which are incorporated in The United Kingdom and registered in England and Wales. Copies of the financial statements for Balfour Beatty Plc are available from the registered address; 5 Churchill Place, Canary Wharf, London, United Kingdom, E14 5HU. Copies of the financial statements for Equitix Capital Eurobond 2 Limited are available from the registered address; Welken House, 10-11 Charterhouse Square, London, United Kingdom, EC1M 6EH.

12 Related party transactions

At 31 March 2017, subordinated loan stock totalled £20,625k (2016: £20,641k) split as per shareholdings between Balfour Beatty OFTO Holdco Limited £4,125k (2016: £4,128k), Equitix Infrastructure 3 Limited £16,500k (2016: £16,513k). The accrued interest on subordinated loan stock totalled £2,121k (2015: £2,714k) divided as per shareholdings between Balfour Beatty OFTO Holdco Limited and Equitix Infrastructure 3 Limited.